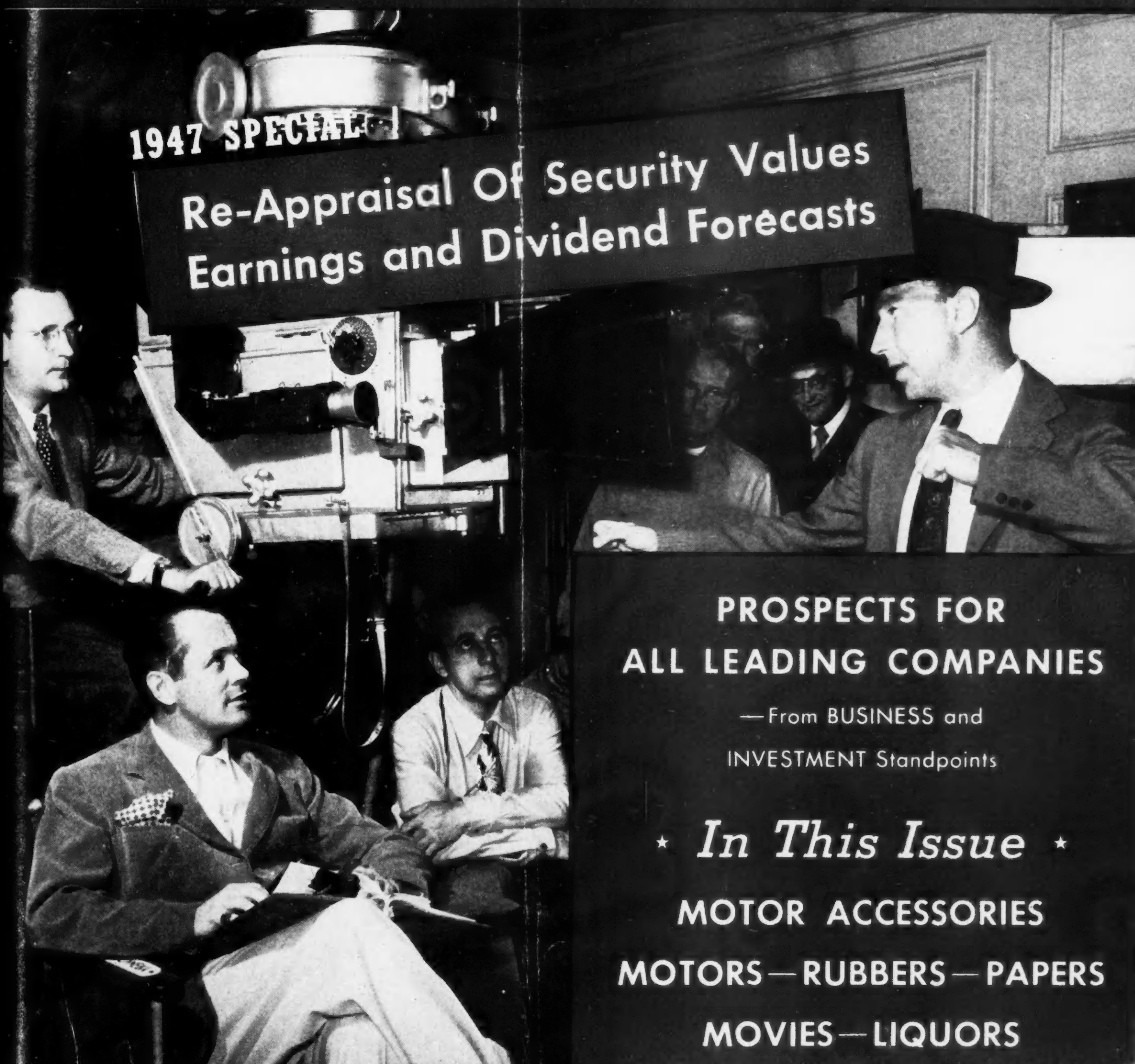
★ Important Market Test At Hand ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

MARCH 1, 1947 50 CENTS



1947 SPECIAL

Re-Appraisal Of Security Values Earnings and Dividend Forecasts

PROSPECTS FOR ALL LEADING COMPANIES

—From BUSINESS and INVESTMENT Standpoints

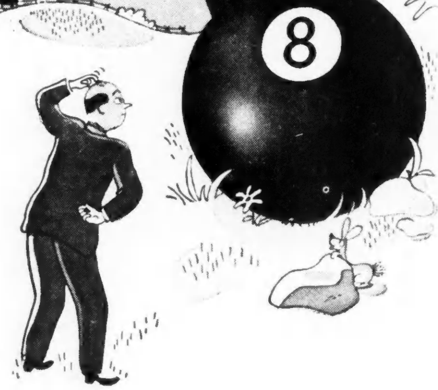
★ *In This Issue* ★

MOTOR ACCESSORIES

MOTORS—RUBBERS—PAPERS

MOVIES—LIQUORS

At the end of many a rainbow—



IF YOU GO to the end of a rainbow, so the fairy tales say, you'll find a pot of gold.

Of course no grownup believes this. But it's surprising how many people believe what amounts to the same thing.

That is, many of us have a dreamy notion that somewhere, sometime, we'll come upon a good deal of money. We couldn't say exactly how this might happen—but we go along from day to day, spending nearly all we make, and believing that *somehow* our financial future will take care of itself.

Unfortunately, this sort of rainbow-chasing is much more apt to make you wind up behind the eight ball than with a pot of gold.

When you come right down to it, the only sure-fire way the average man can plan financial security for himself and his family is through saving—*and saving regularly.*

One of the soundest, most convenient ways to save is by buying U. S. Savings Bonds through the Payroll Plan.

These bonds are the safest in the world. When you buy 'em through the Payroll Plan, they mount up fast. And in just 10 years, they pay you $4 back for every $3 you put in. They'll come in mighty, mighty handy when the time comes to send your kids to college, to buy a house, or to weather a rainy day.

So isn't it just plain common sense to buy every U. S. Savings Bond you can possibly afford? You bet it is!

P. S. You can buy U. S. Savings Bonds at any bank or post office, as well as at your place of business.

SAVE THE EASY WAY... BUY YOUR BONDS THROUGH PAYROLL SAVINGS

Contributed by this magazine in co-operation with the Magazine Publishers of America as a public service.

THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 79, No. 11 March 1, 1947

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly; The Investors Guide, Adjustable Stock Ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Chart Credit (pg. 605) ...... F. W. Stephens, 15 William St., N.Y.C.

Cover photo by Metro-Goldwyn-Mayer

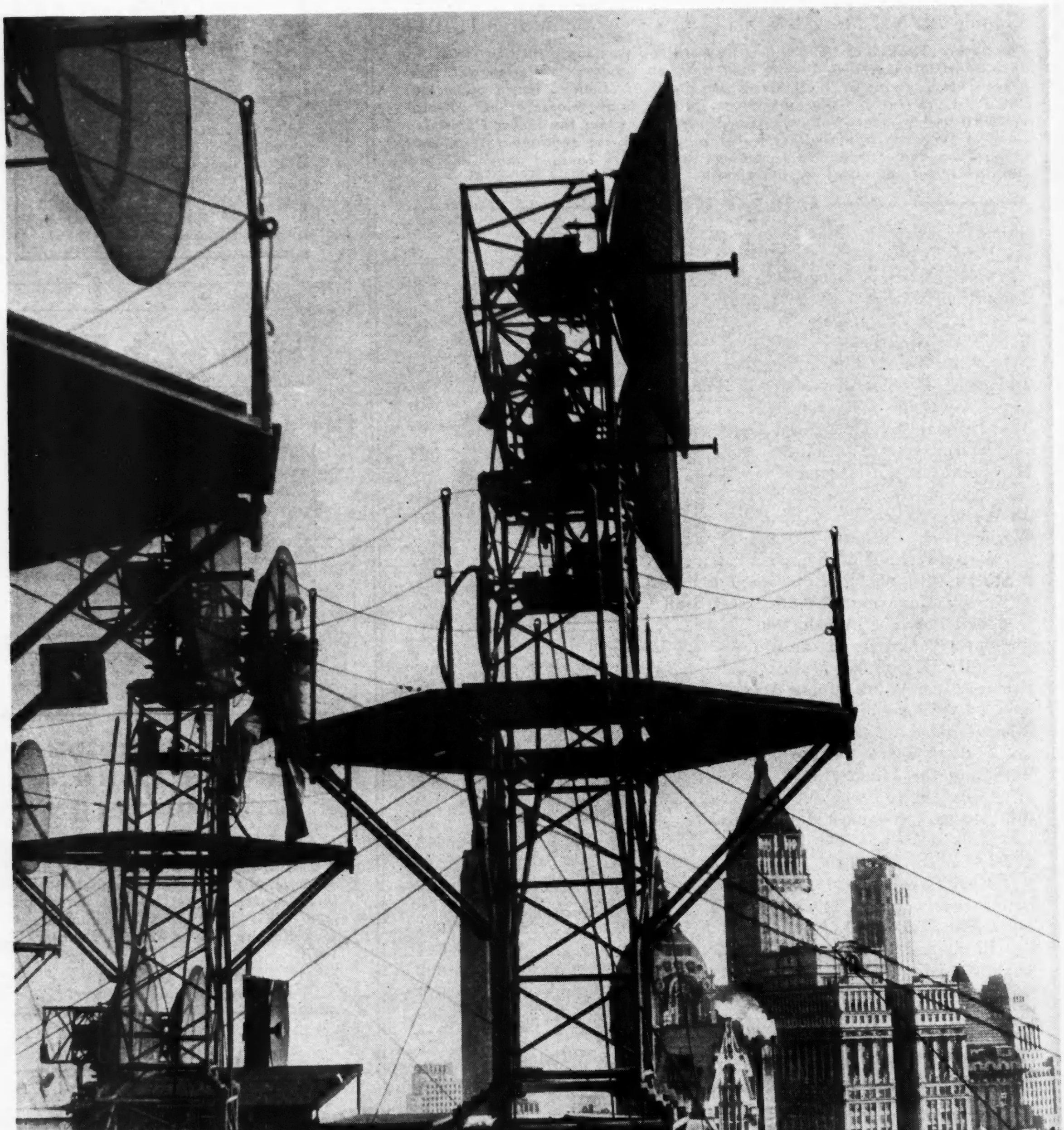
SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, B. C. 4 England.

Cable Address—Tickerpub

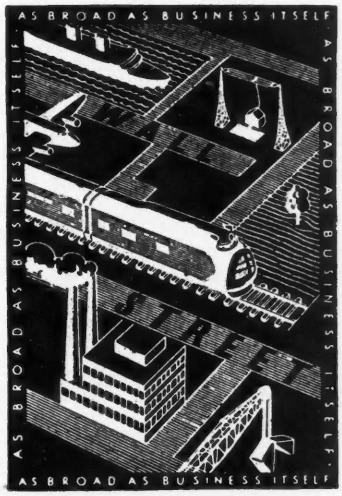
Science Moves From War to Peace



Atop New York Telephone Company's building war-developed radar devices now achieve miracles of peacetime efficiency. The equipment shown above transmits simultaneously by radar waves in a 1400 mile circuit, sending forth through the skies telephone messages, teletypes and facsimiles in an endless stream. In every industrial field our leaders have been alert to utilize the discoveries brought to light under the stress of military research.

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher*



The Trend of Events

WHY MOSCOW? It now seems that despite all our efforts to please, the Russians do not have the facilities to take care of the important Conference scheduled in Moscow shortly.

In view of the crucial nature of the matters involved, does it not appear highly desirable that we transfer this Conference to a city that could take care of the size of the delegation and press necessary to service this momentous discussion?

Nor does it seem that Secretary Marshall would find the atmosphere in Moscow genial and friendly. Judging from the response to his note regarding Mr. Acheson's comments before the Congressional Committee, the Kremlin is questioning Gen. Marshall's integrity, or as part of its preconference technique is seeking to create an unfavorable attitude toward him by the Russian people.

Therefore, I am wondering if it is exactly wise to send Gen. Marshall—'till only recently directing genius of our armed forces—at a time when Russia is showing such hostility to him. This is a matter which should be carefully considered in view of the way in which Russia has handled leaders of other countries that she feared.

I am sure that the Kremlin would send an alternate under similar conditions and that is exactly what I believe the United States should do —if it is decided the Conference should still be held in Moscow.

PUBLIC PROJECTS: Now that debt retirement and the curtailing of public expenditures are a major source of worry, unusual wisdom will be needed to justify outlays for public works. Regardless of whether the Federal Government, the States or local bodies undertake rehabilitation and new construction of obvious benefit to many people, the cost will only add to the burden of already over-loaded tax payers. And it is clear that the increased cost of living has become a number one problem to public administrations as well as to individual citizens. To find revenues for sustaining public activities already established, such as schools, hospitals, libraries, fire and police departments is proving a very tough nut to crack. Hence proposals at any level of government to borrow and spend for new projects must be weighed with extreme caution.

Recent comments on this problem by Republican Senator Chapman Revercomb, of West Virginia, chairman of the Committee on Public Works, deserve commendation for their common sense approach to a solution. The yardstick for any future public construction work must be "need, public benefit and monetary return," he says. This formula is certainly practical in that for the first time a new emphasis is placed upon self sustaining or self liquidating projects, provided politicians do not force the taxpayers to shoulder needless operating deficits. Far too often in the past this trickery has been used for vote getting purposes, but from now on there seems a prospect that sound economic thinking will tend to preclude such practices. The tax collector is an excellent educator.

Heartening as this current political philosophy

is becoming, the Senator rightly points out that some forms of urgently needed public works can never be financed upon a strictly business basis, aside from numerous services furnished by municipalities. Most important in the non-sustaining category are highways, which if properly built and regulated can go far in stimulating the entire economy. Just to what extent the Government and the States should share responsibility for both construction costs and control in this sphere has become a moot question. In Mr. Truman's proposed budget, $500 million have been earmarked for arterial highway systems or for feeder roads, but beyond doubt the sums mentioned will be severely cut by Congress. In similar manner, too, wrangles are bound to arise with and within the various States as to how much they are willing to invest for better transportation, especially as current repair needs are so serious. Meanwhile, however, the States must somehow get together with the Federal authorities to once and for all establish a long range program for cost sharing and control on this eventually transcendent undertaking.

LABOR AT THE POLLS: Income earners in our form of Democracy have the Nation's destiny in their hands. Of the adult population they constitute by a wide margin a sizable majority of the voters. Indeed, if they all registered and exercised their right to a ballot, their numbers would exceed those of all totals ever counted in a national election for both parties combined. Hence regardless of counter claims by labor leaders or industrialists, or despite any legislation which may be passed, the free American workman can have the final say so if he will.

Because of the high level intelligence of the average citizen in our country, these hard facts warrant confidence in the long range outcome of the current wave of management-labor strife. It has become altogether too easy to appraise the thinking of most income earners by the rabid and hostile words of a few militant union leaders. That the majority of the electorate frown on the revolutionary tactics of these zealots who would destroy free enterprise in our country was shown by the results of the recent election. That our legislators, too, are well aware of this circumstance and that in the union ranks, which represent less than a third of the nation's employees, are many dissidents, has become clear. The need for "group discipline" as a substitute for freedom of thought and action is now being widely preached by labor leaders, but this foreign born slogan does not fit the pattern of thinking which is characteristic of America. Where enforced throughout the world it has led only to virtual slavery and distress. The workers in our country will be the first to applaud steps to give them a secret ballot within their unions, and the chances are that if they do not materialize soon, they will insist upon it in the national polling booths. The American worker can be counted upon to think for himself, fortunately for Democracy; this promises well for the future of the Nation.

PRUDENT MAN RULE: The rise in the cost of living has fallen with serious impact upon a large section of our citizenry dependent directly or otherwise upon income from so called "legal investments." Under various State laws established for the protection of the public, trustees, insurance companies and savings banks for decades past have little choice in the employment of funds entrusted to their care. In most cases, State Banking Commissions restrict their investment policies to a carefully defined character of mortgages or bonds, in many cases going so far as to present lists of individual issues from which portfolios must be built up. In view of the low yields now available from prime investments of this kind, it has become increasingly apparent that some latitude is needed to improve an often intolerable situation. Fortunately enough there are encouraging signs that such a trend is gaining ground.

In sixteen States already, trustees are now permitted to include a portion of sound preferred stocks or equities among their investments, thus raising over-all yields to a more practical basis. In 10 of the States mentioned, the laws have been amended to facilitate the improvement, and in 6 others the change has come about through judicial decrees. This indicates a wholesome revision of investment thinking which all State authorities would do well to study and adopt for their own policy making. If there is anything to be learned from experience, it is that stability of industrial income cannot be determined by rigid statistical evidence or by mere reliance upon the terminology of investment media. In practice it has been found that many stocks with long dividend records have proven far "safer" than any number of once considered prime first mortgage bonds. Hence it has been unfortunate that savings bank depositors, beneficiaries of trusts and policy holders have so long been denied the opportunity to benefit from the sound growth and income factors enjoyed by countless numbers of individual investors. In our country we could well take a leaf from the successful experience of Sun Life Insurance Co. of Canada, the bulk of whose investible funds is placed in first class dividend paying stocks. Progress thus far made in the United States along these lines has necessarily been based upon the "Prudent Man" theory which grants to conservative investment managers a full share of intelligence and soundness in their selections, rather than assigning these qualifications solely to the State legislators and political controls. This implies no laxity in superinspection of the investment activities of managers handling funds entrusted to their care. To the contrary, restraint from speculative urges must always be imposed and many courts apparently consider the status of a "prudent man" rather easily definable. Given a new legal standing of this kind, managers of investment funds can be of great help to their hard pressed constituents. It is to be hoped that before long, many States will fall in line to liberalize their laws in order to make the advantages widespread. Both industry and the stock markets would also gain in the process.

[redacted], FINANCIAL *and* INVESTMENT COUNSELORS : 1907—*"Over Forty Years of Service"*—1947

As I See It!

By CHARLES BENEDICT

THE MYTH OF NATIONALIZATION

NATIONALIZATION is a beautiful theory, intriguing and full of allure for it promises to bring permanent security and a share in all the good things of life to even the most humble dwelling.

In practice, however, it has not worked out that way,—nor can it, because nationalization depends for its success on an ideal world in which men are uniformly noble and unselfish. Moreover, as a means for solving this desperate period of mental unbalance following a war of unprecedented proportions, it is merely a rosy mirage of wishful thinking.

Only the initiative of private enterprise can save the situation.

Floundering and experimental political control in the hands of a bureaucracy would bring on the inevitable stagnation,—lower standard of living and increased taxation to make up the deficits resulting from inept and routine handling of affairs.

"Victorious England"

Government is notoriously inefficient in directing business enterprise and for three very good reasons: (1) Because of the political factor which prevents a realistic solution of basic problems.

The case of the New York subways is a glittering example. The Mayor seeks to hold to a 5-c fare despite the increased costs and although the finances of the city cannot bear the additional burden which the continuation of this inadequate fare would add. On top of this folly he suggests an increased levy on real estate which must inevitably raise rents to the citizens of New York to a level way beyond the cost of the increased subway fare. And the reason is votes when election time comes around again—so certain are politicians of the stupidity of the citizens.

Reason (2)—The red tape of government functioning in which we are frequently at the mercy of bureaucrats—either without practical experience or possessing political theories and philosophies that produce bottle necks of one kind or another. Reason (3)—The continuing congressional interference either due to party politics or pressure by special interests.

Under these circumstances, it must be clear that nationalized business cannot prosper but must continue to decline, with the burden of the mistakes falling on the tax-payers and, leading finally to the crisis of stringent regulations with the avowed purpose of preventing collapse, but inevitably ushering in a dictatorship in the process of picking up the pieces.

We have seen these things taking shape in one country after another this past decade. The course in each case followed the familiar pattern of ever increasing scarcity of goods with a gradual decline in quality—and finally ending in impoverishment of the people, disruption of economic machinery, prostration of institutions while only a few at the top benefitted by the misery created.

Look what this frittering away process has done to France and what it is doing to England today! In France—like in England—the socialists achieved power long after their usefulness as conciliators could be a factor in the all out war between ruthless communism and fascism. It has brought a continuing decline to the fortunes of these countries.

In France, the disin- (*Please turn to page* 643)

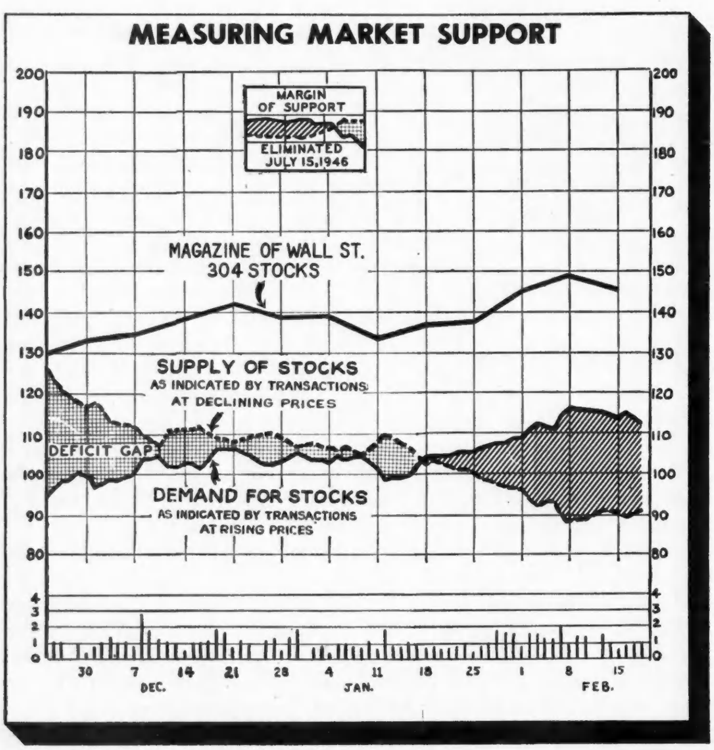
Important Market Test At Hand

There are some considerations, detailed below, which lead us to think that the market unsettlement may continue for the short term, but that the next important test is likely to be on the upside. Since the major trend is still in question, however, we are not now inclined to broaden the partial and selective buying program advised heretofore.

By A. T. MILLER

DURING MOST of the past fortnight the market was mildly reactionary. Volume was light, however, and at the lowest levels reached the averages were only moderately under their February recovery highs. Nearing the end of last week, an improved tone developed; and in the final session, preceding Saturday's legal holiday, there was a considerable rebound. However, it is not possible to attach too much significance to this development in view of the dullness on the snap-back and the reacting tendencies shown on the following Monday. Brokers attribute the minor decline largely to professional profit-taking on speculative securities. The fact that our 100 High Priced Stocks inched ahead last week, while the 100 Low Priced Stocks declined, confirms this belief. Some further short term hesitation seems likely before any testing out of the previous recovery highs.

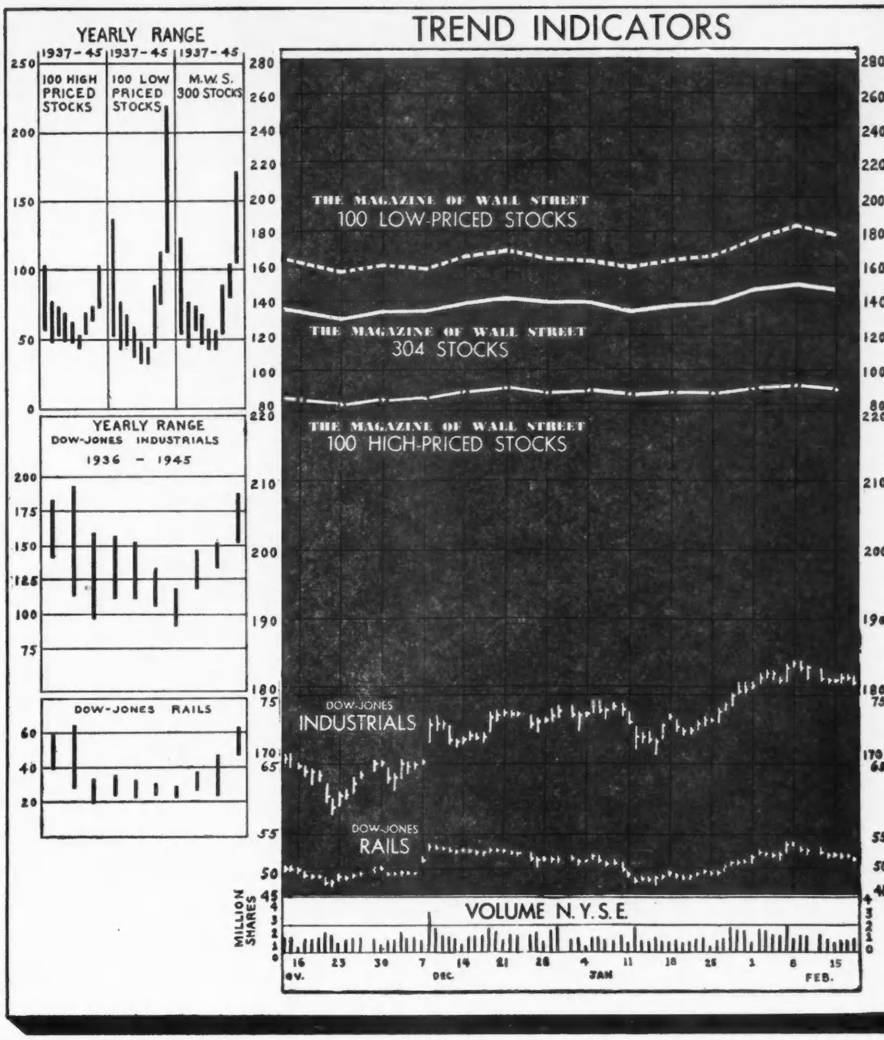
Recessions in an uptrend market—which this one is believed to be, at least in an intermediate sense—serve two useful purposes. They help maintain a sound technical position; and the manner in which the market meets the test provided by a sell-off often gives significant clues on trend probabilities. As of this writing, the indications appear generally hopeful. How long they will remain so, no one can foresee. To date at least, the averages have maintained their zig-zag recovery pattern of rising tops and bottoms. The support levels of decisive intermediate-trend significance are, of course, the January 16 reaction low (closing prices) of 171.95 in the industrial average and the comparable January 15 low of 47.53 for the rails. At this writing we doubt if these support levels will be penetrated over the immediate future. However, it is prudent to withhold adding further to commitments we have already advised until more convincing evidence of buying support appears. The investor usually loses little by waiting for confirmatory signs that selling has dried up before buying.



Some Encouraging Indications

One of them is that, as compared with the last previous reaction (in January) the volume of trading on the sell-off was considerably smaller. That is inferentially favorable. Another is that our index of low-price stocks retained a greater portion of its previous rise than did the index of high-price stocks — three-fourths, against two-thirds — although it always, of course, reacts more in percentage during a corrective phase than the high-price stocks. A third is that our "Market Support" indicator still shows a relatively comfortable margin on the demand side, having thus far narrowed no more than it often does in moderate technical cor-

rections. It would take a considerably poorer relation of supply-demand in the market than developed at any time on the recession of the last fortnight to reverse the uptrend signal given last January 18. (We repeat, for the benefit of new subscribers, that "uptrend," as here used, means either a probable intermediate rise of sizable scope, or a possible new bull market; and that only the evidence provided by market action over an additional time period—possibly a period of quite a few weeks—can make a clear-cut distinction between those alternatives.)



Looking back on the whole irregular recovery phase of recent months, it seems clear that the dominant consideration, although not the only one, is the question whether there is to be a general economic recession; and, if so, when it may start and how severe (or mild) it may be. Among economists — private and governmental — the debate still rages. Those who predicted a sizable business setback, starting in the second half-year and basing their opinions largely on a 50-point decline in the industrial average, fast-mounting inventories and excessive rise in commodity price, still stick to their guns, but are now mostly inclined to put the timing of recession in the fourth quarter.

There has been enough doubt in the minds of investors to keep the recovery in stock prices restrained and somewhat cautious. That is why there has been so little market respose, in most instances, to remarkably favorable earnings reports. On the other hand, there has been an improved response, especially in recent days, to dividend increases by major corporations. Investors rightly wonder about the continuity of high earnings as long as they do not find reasonably proportionate reflection in dividends. But we are now seeing a wave of dividend boosts which is most unusual for this early season of the year. It can only mean that the managements involved are confident of their own situations for the foreseeable future. This thing will bear watching. The managements may or may not be over-optimistic. Time alone will tell, and time in this matter figures at least in months. But if more and more "big" companies should join the dividend parade, it is conceivable that investors and speculators may be increasingly inclined to take that as the "green light," regardless of the pro and con arguments on the economic outlook in the abstract.

Last week alone, to mention only leading companies, there were favorable dividend changes by du Pont, Union Carbide, Eastman Kodak, International Harvester, Republic Steel, Youngstown Sheet & Tube, Philco, Kimberly-Clark and Libbey-Owens-Ford Glass.

The Business Scene Remains Mixed

Farm prices, after turning down weeks ago, have rebounded, with some grains at new peaks. This puts off the reckoning, but the futures markets (never wrong yet) still forecast it for later in the year. So do the most authoritative agricultural economists. Retail trade, wobbly (at a high level) a couple of weeks ago, showed a good dollar gain over a year ago for the latest week reported. However, the ratio of inventories to sales is becoming a matter of more concern. The labor scene is quiet, and productivity is increasing; but two possible major strike threats for late March or April are telephones and, again coal. It becomes more likely that the year's labor (*Please turn to page* 643)

The FACTS OF LIFE

By WARD GATES

★

"IF MORE PEOPLE KNEW the economic facts of life, the nation would suffer fewer strikes, achieve greater production and enjoy a more durable prosperity." This truism, recently stated by one of our business leaders in discussing the wall of misunderstanding that has grown up particularly between management and labor, aptly describes the cause of much of the difficulties that we are presently encountering in our struggle to regain our economic equilibrium.

In many respects, the public has failed to understand fully the meaning of the economic changes that have occurred, and those that are in the making. Similarly, having become used to the concepts of a planned economy that have prevailed ever since the inception of the New Deal, most people today know little of the economic factors that have contributed to the enormous growth of production in this country and to its rising standard of living that has been one of its principal achievements. Thus amid emotional appeals of anti-business groups, it has become fashionable to enlarge the claims upon management rather than concentrate on natural stimulation of greatest possible output and letting the forces of the market place handle the necessary function of distribution.

Rising Productivity Must Be Achieved

The burst of productivity which enriched us so greatly during the last decades has led to a high degree of confidence that this performance will continue virtually automatically. It was easy to forget that rising productivity is not a natural law but that it roots deeply in individual effort, in sacrifice and thrift, in increasing mechanization of the productive process, in the incentives for better application of capital and labor for production, in the promise of profits for the risk taker if his venture succeeds, and in a favorable environment for business expansion. Instead, certain extraordinary economic beliefs have grown up, fallacies that have become so prevalent as to constitute almost new orthodoxy. They have led us where we are now, in a situation of misunderstanding and tension among the indispensable parties to our economic life that causes many observers to forecast an early business recession. Our transition to peace has been anything but smooth, nor have there existed economically efficient conditions of business, despite the basic factors of great strength that continue to obtain.

As it is, the economic facts of life that have been so readily ignored, are now forcefully brought to our attention. This is perhaps best illustrated by the struggles that accompany our return to a peace economy. During the past year, particularly, we have been learning the hard way. We have had a wave of major strikes, costly in that they resulted in heavy loss of pay for the workers, in loss of profits for management, in loss of income for stockholders, in loss of tax revenues for the Government, in loss of production and much-needed goods for the public. Obviously, no one benefited. The wage boosts obtained by labor were quickly offset by higher prices; *real income* declined instead of advancing. The entire experience was not only costly and negative, it was also unnecessary. It was a fiasco that might easily have been avoided, and existing differences satisfactorily adjusted, had there been a clearer understanding of economic facts. These facts have now been brought home to us all. Developments have made it clear that wages cannot be raised substantially without a compensating increase in prices, and that an inflationary wage-price spiral is the shortest road towards ultimate economic unsettlement.

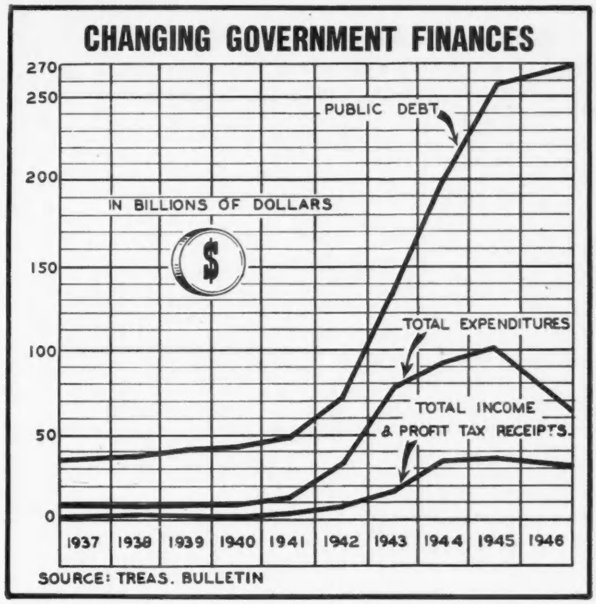
Wealth Not Produced Cannot Be Distributed

Realization of this truth is now rapidly becoming the key to national policies. Even labor is beginning to recognize the overwhelming evidence that labor productivity is the fundamental determinant of wages; that the best way to raise wages, therefore, is to step up productivity. Obviously we cannot for any length of time distribute more wealth than is created, in other words pay labor more than it produces. Real wages come out of production, not out of unrealistic labor contracts.

The underlying fallacy was the doctrine that by

arbitrarily forcing up wages, purchasing power will be increased with a resultant rise in the demand for goods, and demand for labor. It is hardly necessary to enlarge on the shortcomings of this theory. It was the ensuing price-income disparities that forced a turn in the tide. Failure of the income generated by the price increases to flow uniformly to all segments of the population priced large segments of consumers out of the market. The outcome, in fact, was a forgone conclusion.

Fortunately, both labor and management are getting better acquainted with our complicated economy and the relationships between its closely integrated parts. Both are steadily broadening their grasp of economic realities. One of them is that we cannot prosper without reattainment of economic equilibrium, and without creating sustained purchasing power by means of a competitive price structure based on mass production. Both of course are closely interrelated.



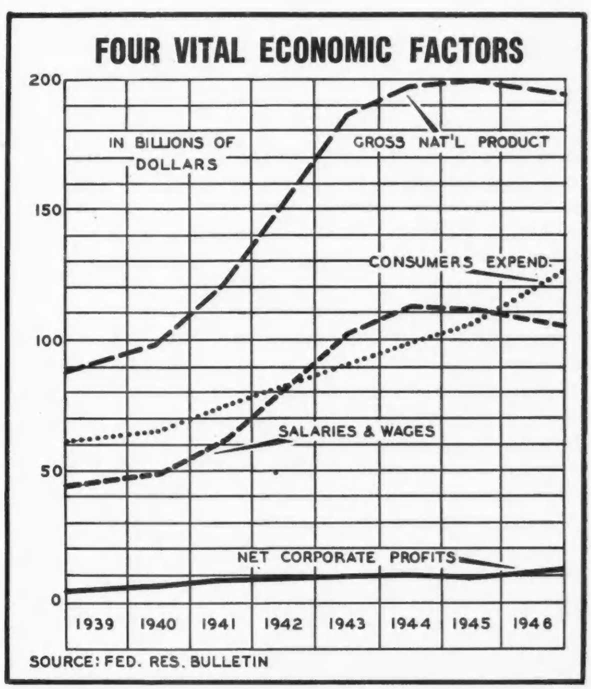
Economic Balance Cannot Be Legislated

Economic equilibrium, the true creator of purchasing power, can only be achieved through mutual adjustment of price, wage, cost and profit relations by voluntary and realistic bargaining of the parties at interest. Mere legislative acts will not force capitalists to invest, labor to work, and employers to hire. When goods are produced in proper proportions, they clear the market of one another. For example, wheat comes into the market as supply of wheat, but the same wheat comes into the market as demand for sugar, for automobiles, for textiles and for other things which the wheat producer wants. Production itself gives rise to the income which supports consumption. Production and consumption expand together. Economic history proves this conclusively. The 135 million people in the United States consume vastly more than the 400 million in China, because they produce more. The 20th-century world consumes vastly more than the 18th-century world consumed, because it produces vastly more. The problem is primarily one of keeping the different kinds of production in proper proportion.

Prices Must Truly Reflect Demand and Supply

Under the capitalist system, this is accomplished by the movement of prices and costs. Labor and capital tend to get out of lines where return is low and to move over into lines where return is better. Economic conditions, and production trends, during the OPA regime have taught us quite a conclusive lesson in this respect. The smooth working of this system calls for flexible prices, competitively worked out, which tell the truth regarding underlying supply and demand conditions. When production is well balanced and prices (including wages and interest rates) are free to move and tell the truth, supply creates its own demand.

At present, we are still fighting for economic equilibrium. Return to it has been made difficult by the conditions arising from the war, by the unsettling effects of last year's strikes, by the scarcity of goods, by price inflation, and most important of all, by delayed abolition of price and production controls. As a result, we find that production is not yet properly balanced, that shortages continue to exert pressure on price levels, that living costs are too high—have in fact outrun popular purchasing power. The future outlook thus revolves mainly around the question of prices and volume, and the price question, in turn, hinges greatly on the effici-



ency of labor and to a far lesser extent on the mark-up of the manufacturer or retailer.

High wages do not necessarily mean high costs, if worker productivity increases. But if, as in the building trades for instance, there is no improvement of the productive process, yet wages have doubled and productivity has actually declined, then costs will soar—and markets shrink. This is the road to depression. To state a truism, the best prices after all are not the highest prices but the prices that encourage the largest volume of production and sales. Just as the best wage rates are not the highest rates but the wage rates that permit full production, full employment and the largest sustained income payments. Thus we face today a condition where consumption, due to high costs, is likely to decline in the course of this year while production, increasingly freed from its former shackles, will surge ahead, with the resultant likelihood of overstocking of markets. *Higher real wages* are thus essential to maintain adequate purchasing power, preferably by lowering prices rather than by raising wage rates unless the latter is more than offset by greater manufacturing efficiency.

Economics Behind Tax Cut Battle

In discussing the economic facts of life and their relevance to current vital economic developments, the battle over tax cuts—now in full swing—deserves particular attention, for behind it is much more than meets the eye of the general public. Basically, what we witness is a clash between two economic theories, the purchasing power theory (long the backbone of a planned economy) and the incentive theory—the doctrine underlying free economy. The issue—who is to get the tax cuts and how much—is forcefully reopening the arguments over the direction of this country's economic and fiscal policies. The former theory rejects the well-tested notion that purchasing power grows out of production, sharply separates both and sees the problem merely in terms of keeping overall purchasing power equal to or ahead of production, hence the need for a fiscal policy designed to "level" incomes. Saving, under this theory, has come increasingly under attack as unwarranted "money hoarding," harmful to the economy and a potential cause of depression since it would mean, allegedly, lack of adequate consumptive spending. At the same time, legitimate profits have met with mounting hostility, with little realization of the vital function they play in a free economy which is to guide and channel the factors of production. This doctrine largely ignores the clear-cut lessons of the past—that free prices and free profits will make for maximum production and relieve shortages much quicker than any other system.

Small Taxpayer Necessary

As it is, the tax battle reveals a double dilemma which accounts for much of its acrimony. For one, it is the small taxpayer on whom the Government must now depend most heavily for tax revenues: the lower income groups (up to $5,000) constitute about 95% of all income tax payers and account for nearly 60% of individual income tax revenues. Against this, people with incomes of over $5,000 constitute only about 5% of taxpayers but provide some 40% of personal income tax payments. In order to maintain revenue, the Government thus can hardly afford any real easing of the tax burden on the lower income groups. And "taxing the rich" more, patently would not only be inadequate but it would further kill incentive in the economic system and ultimately result in an overall tax loss rather than a gain.

The doctrine of "distributing the wealth" via the tax route thus runs into serious difficulties. Thought must be given to the effect of taxation on general business as well as on immediate revenues. A good cut in tax rates, both personal and corporate, would undoubtedly constitute one of the greatest single business stimuli (by bolstering purchasing power and restoring enterpreneurial incentive) that could be had at this time. Such action, however, runs into opposition on the grounds that revenues must be maintained. The way out? A tax program that will reduce taxes along with expenditures! This brings us to the battle of the budget, presently at fever heat.

National Debt A Great Economic Factor

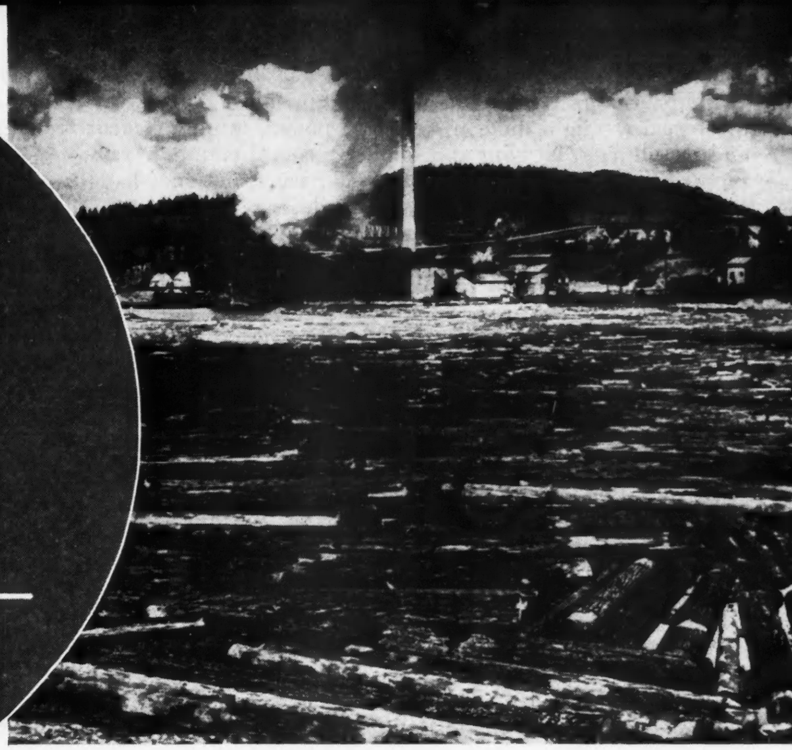
Overhanging the budget situation is of course our $260 billion national debt, the greatest single postwar economic factor and constantly forcing the hand of policy makers, rendering budget balancing almost imperative. As it is, the desire for lower taxes is only exceeded by reluctance of adding to the debt. The latter's influence on economic trends and policies is necessarily overriding. Interest rates must be kept low so the debt can be managed more easily. Price levels must be kept fairly high (by prewar standards) and so must our national income so that tax yields will be large enough to balance the kind of budget that a $260 billion debt involves.

Where Budget Needs Pruning

The debate—where and where not to cut expenditures—is understandably vigorous. Leaving aside considerations of national defense and instead merely heeding economic lessons of the past, a number of ideas have been championed. Behind all of them is the recognition that Government spending means taxes, and the taxes discourage production and initiative. I refer particularly to the proposal of ending the futile attempt to maintain agricultural prices at present high levels, to cessation of Government price fixing, of costly export subsidies and commodity controls. It is in these areas where the pruning knife could be applied to greatest advantage. In their essence, these are devices that keep price levels too high; far from benefiting the consumer, they raise his cost of living and additionally saddle him with taxes. To the consumer, the cost is never commensurate with the benefits that thereby may accrue to special interests. In short, it is not good economics. (*Please turn to page* 638)

Industrial Position Of NORTHWEST To-day

By JOHN D. C. WELDON



Logs on their way to be processed into the lumber so badly needed for building homes throughout the country

IN A REGIONAL SURVEY OF INDUSTRY TODAY, the Northwest is an ideal section in which to start. Much of the war-expanded industry there has already converted to peacetime work, new industries are rapidly being established, great electric power and irrigation projects are attracting more people, more trade, and more wealth. Developments in this "Inland Empire" are being watched closely because of its rapidly growing importance as a market for the sale of all types of products, as a source of foodstuffs and industrial raw materials, as a promising field for the investment of new capital, and as a land of opportunity calling settlers for migration from the older and more crowded regions of the country.

Although the Northwest was growing even before the war at a faster rate than most other sections of the country, the wartime expansion of industry there, combined with the huge hydroelectric developments, accelerated this rate of growth and made millions more people aware of the region's possibilities. These include vast areas of fertile land, rich natural resources, favorable climate, a variety of transportation facilities, and a vigorously growing population composed predominantly of younger people eager to succeed.

The group of five Northwest states—Washington, Oregon, Idaho, Montana, and Wyoming—comprise an area of approximately 500,000 square miles or one-sixth of the U.S. total. Their civilian population of 4½ million in 1945 was only 3% of the total, but increased by 8% between 1940 and 1945, whereas the U.S. total showed practically no increase at this time.

These figures on civilian population exclude members of the armed forces at home or abroad, numbering some 8 million in 1945. From the accompanying table it will be seen that Washington, with the largest population, also had the sharpest gain during the war period, followed by Oregon. Idaho, Montana, and Wyoming showed net losses in civilian population, due chiefly to their people entering the military services or moving to war plant centers elsewhere.

WARTIME SHIFTS OF CIVILIAN POPULATION
of the Northwestern States

	Area in Sq. Miles	1945 Population (000s)	Per Cent Change 1940-45
Idaho	83,557	500	— 5.1
Montana	147,138	458	—18.1
Oregon	96,981	1,206	+10.2
Washington	68,192	2,089	+19.8
Wyoming	97,914	247	— 0.8
Total, N.W.	493,782	4,500	+ 7.9
Total, U.S.	3,022,387	131,976	+ 0.2
% Northwest to total U.S.	16.3%	3.4%	

In studying the economy of the Northwest and some of the more important corporations in a position to share in its prosperity, it must be recognized that during recent years the growth has been not only in size but in the diversification of its industries. Years ago this region was made famous in our literature as the "great open space" where a daring traveler might occasionally discover a mining town,

a lumber camp, or an apple orchard; that picture belongs to the past, the distant past.

Many things great things are happening. A brief review might take up electric power, mining and metallurgy, logging and lumber, general manufacturing, agriculture and livestock, construction and irrigation, transportation, and trade.

So much publicity has been given to the Grand Coulee Dam and electric generating station on the Columbia River in central Washington that numerous other great projects, already operating or under construction, have been virtually overlooked. Although Grand Coulee, the biggest thing man has ever built, has a power rating of 1,944,000 kw., the rapid development of consuming industries indicates that it will be inadequate to supply the requirements of its territory by 1950.

In addition to the public power systems, the privately-owned electric systems such as Washington Water Power, Puget Sound Power & Light, and Montana Power likewise have experienced rapid growth in power consumption. Already the post-war increase in consumption has more than absorbed all the "surplus" power released by the closing down of war industries.

Long-range plans for construction of many more great power plants on the Columbia River, Snake River, and other tributaries are going forward rapidly, and a number of new dams are now under construction. The previous estimate that eventually there might be as many as 50 major hydroelectric installations in the Columbia River system has recently been raised, by the general conference of engineers in charge, to 100. Many industries which "discovered" cheap power and planned to move there find that the power has already been contracted for, and that they must wait until more capacity is made available.

Great Aluminum and Magnesium Plants

Mining, a leading industry in the Northwest ever since pioneer days, was greatly expanded in the years before the war by heavy additional equipment and the construction of local smelting and refining plants. During the war a number of great aluminum and magnesium plants were built near the supplies of electric power. Several of these plants are being operated by Aluminum Company, Reynolds Metals, Electro Metallurgical (subsidiary of Union Carbide), and Permanente Metals (H. J. Kaiser). Although their raw material heretofore has been brought from the outside, chiefly by low-cost water transportation, the companies are now exploring local deposits of bauxite or aluminum clay.

These states rank at or near the top in other important metal mining such as silver, gold, copper, lead, and zinc, as well as coal. Well-known companies operating there include American Zinc, Anaconda Copper, Bunker Hill, Clayton Silver, Coeur d'Alene, Consolidated Mining, Federal Mining, Granby Consolidated, Hecla Mining, Howe Sound, Kennecott Copper, Polaris Mining, Premier Gold, Sherman Lead, and Sunshine Mining.

The "mystery" plutonium plant, located near Hanford, Washington, is another huge user of electric power. Operation of this plant was transferred last year from du Pont to General Electric, and management transferred from army to civilian.

Logging and lumbering are other great industries based upon the vast forests of Ponderosa pine, Douglas fir, and other woods, and providing the materials for building in all parts of the United States, plus a large export trade. For many years the industry has followed a program of selective cutting and reforestation for the perpetuation of timber stands, and recently has become even more scientific in its methods. Today the forests are essentially "tree farms".

Huge Lumber Production

An increasing share of the lumber is being sold in processed forms, such as window sash and frames, doors, moldings, flooring, plywood, fruit boxes, and the like. Two of the leading companies are Weyerhaeuser Timber and Long-Bell Lumber, but the industry is still for the most part privately owned, with more than 2,000 large sawmills in the five states.

Although lumber production is running currently at a very high rate, relieving somewhat the acute shortage and permitting better drying, the tremendous demand expected from deferred building construction should keep the mills busy for years to come. Some lowering of lumber prices has been forecast. The lumber industry is still handicapped by delay in obtaining new and improved machinery for its long-range modernization program.

Closely-related industries are being established to use lumber waste for pulp, which is not only made into paper, but rayon or other products. Waste lumber is also used to make ethyl alcohol for a variety of chemicals, lignins, tars, resins, and other wood derivatives.

There is a diversity of other manufacturing industries. One of the most prominent companies is Boeing Aircraft, at Seattle, while others include Pacific Car & Foundry, and Gladding McBean (brick, tile, etc.), and General Machinery at Spokane makes equipment for the nearby lumber mills. There is also refining of petroleum, brought by rail from oilfields in Montana and Wyoming.

Agriculture and livestock, always important sources of income in this region, have increased production greatly by means of more progressive methods, aided by the state agricultural departments and by many test farms. Fruits and vegetables—in the fresh, canned, frozen, or dried forms—are sent to all parts of the country and exported. Beef has heretofore been the principal animal product, but production of hogs is increasing, also dairy products, and horses, and the section is famous for its ranches and livestock shows. Turkeys are raised by the acre. Many of the large meat packing and milk companies, such as Armour and Carnation, have local plants.

Construction is active in Northwest. The biggest irrigation project on earth is going forward rapidly near Grand Coulee in the Columbia River basin,

which will irrigate some 4,000 square miles of fertile land in south-central Washington. The world's heaviest earth-moving equipment—drag-lines, shovels, etc.—is being used. The pumps will be capable of lifting about a million pounds of water 280 feet per second. One of the large contracting concerns of this area—Morrison-Knudsen Co. of Boise, Idaho, with revenues of $19 million in 1945—recently was introduced to Wall Street by a public offering of its stock. New residential construction is a pressing need.

Good Rail and Air Transportation

Transportation facilities have aided greatly in the rapid development of this area, served by a network of railway systems including the Great Northern, Northern Pacific, Milwaukee, Union Pacific, Canadian Pacific, and Spokane-International. Some entirely new mileage is being built, and there are important railroad repair shops. The "Empire Builder", new stream-line train of the first-named system, has just cut its time for the 2,211-mile Chicago-Seattle run to 45 hours, a reduction of 13½ hours from the previous schedule, and other lines are making similar reductions. Pullman is building the new cars, and General Motors the diesel locomotives.

Air travel has grown particularly fast because of the long distances to be covered, and in addition to the large lines such as United, Northwest, Pan American, and Empire, there are many local and feeder lines. The new Seattle-Tacoma Airport is one of America's largest. There has been steady growth in bus lines, and also in motor truck lines, some of which are owned by railroads. The Port of Seattle has expanded its maritime shipping and warehousing facilities to serve foreign commerce with oriental and other world markets. Altogether, the progress in transportation since the days when Francis Parkman wrote "The Oregon Trail" is one of the miracles of the American free enterprise system.

Retail Trade at Peak

Accompanying the growth of population and industry in the Northwest during recent years, there has been a phenomenal expansion in the various service lines and in retail trade, which is still holding at peak levels with no let-up despite the end of the war and displacement of workers from the shipyards and war industries. Sears Roebuck and most of the big chains have branches there, and Marshall Field is proud of its large and profitable subsidiary, Frederick & Nelson of Seattle.

Sectional Income Above Average

Per capita income in these states, reflecting the various developments briefly reviewed above, increased between 1940 and 1945 by 139%, compared with an increase of 101% for the total U.S. Income per capita in 1945 averaged $1,297, against a national average of $1,150, as shown by the accompanying table.

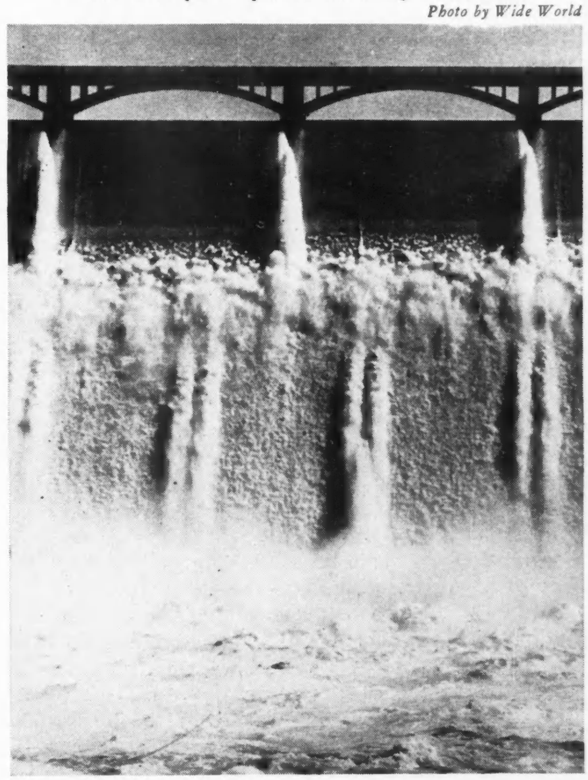
Wartime Changes of Per Capita Income of the Northwestern States

	1945 Natl. Income (Millions)	Change 1940-45 %	1945 Per Capita Income
Idaho	$ 512	+ 121	$1,054
Montana	539	+ 68	1,172
Oregon	1,549	+ 145	1,266
Washington	2,971	+ 170	1,407
Wyoming	274	+ 82	1,096
Total, N.W.	5,815	+ 139	1,297
Total, U.S.	152,704	+ 101	1,150
% N.W. to total U.S.	3.8		

Perhaps mention should be made of one other "industry"—vacations and sports. This section is often termed a "Vacation Paradise" with its thousands of lakes, mountains, glaciers, forests, waterfalls, hydroelectric dams, geological mysteries, motor parkways, ranches, resorts, hotels and camps. The Columbia River alone, to reach the sea 460 miles away, winds 1200 miles, boxes the compass twice, and incidentally creates a tremendous demand for boats, outboard motors, fishing tackle, camping equipment, and sport clothes. It is not surprising that these states have become increasingly attractive the year 'round to vacationists and tourists, the financial receipts from whom in the aggregate might well exceed those of some of the major industries enumerated.

The Grand Coulee Dam, biggest work of man, may become inadequate by 1950 according to estimates

Photo by Wide World



TAX Inequalities THAT NEED CORRECTION

By JAMES A. FINLEY

The 80th Congress could perform outstanding service to the nation by correcting tax inequalities

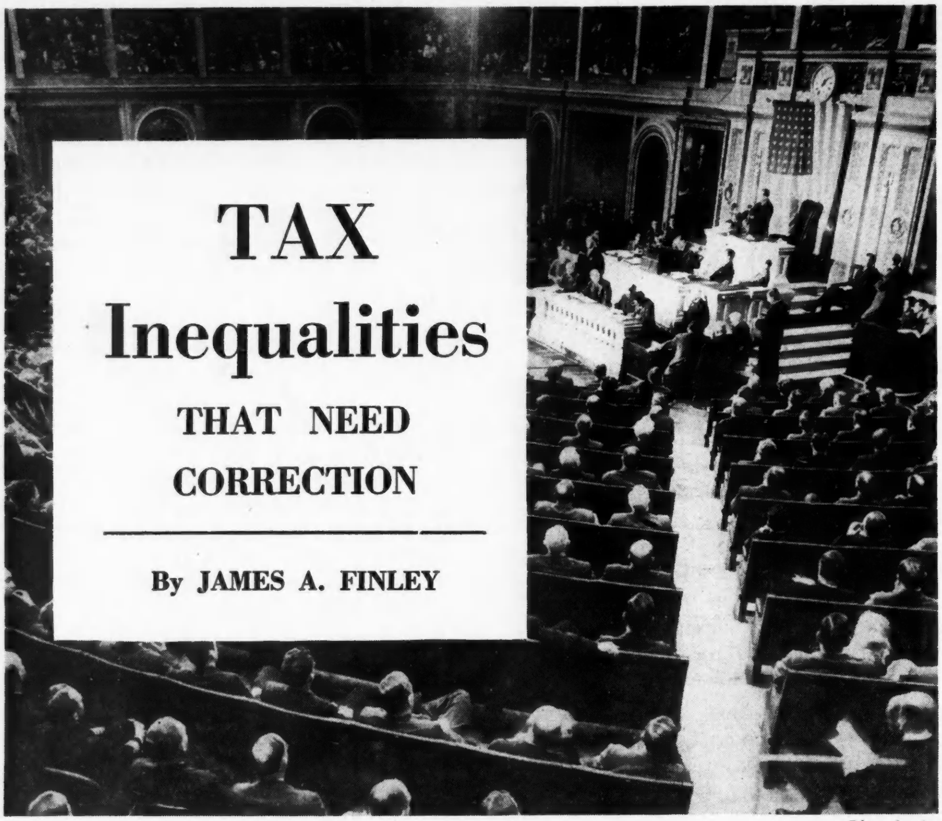


Photo by Acme

Our present tax system is an amazingly inefficient hodgepodge affair pieced together over the years with an apparent lack of rhyme or reason. This is the result—in a large degree at least—of Congress' efforts, over the year, to satisfy the demands of various pressure groups with widely divergent interests.

This haphazard tax system, containing, as it does, such an abnormal amount of tax inequities, results in a serious drag on individual spending and investment, which prevents the fullest operation of our economic machine.

Clearly, such a system needs a very thorough and competent over-hauling. Tax experts are in almost strict unanimity on this. Indeed, the taxpayer—and that means all of us—seems to be acutely aware of this vital need.

Since taxes represent our prorata share of the cost of running the Government, the first task of Congress is to determine the amount of revenue required for this purpose. Next comes the herculean task of settling on the proper combination of taxes and rates thereof which will yield the required revenues and at the same time place no deterrents in the way of high production and full employment.

During the present period of transition, the budget, of necessity, still includes large expenditures for occupation, relief and other war aftermath costs, as well as a large figure for national defense. Congress would be inviting disaster by slashing these items. Large armed forces are a definite must, at this time, as an instrument of firm policy toward the Soviet Union. As to the other aforementioned costs, we think Secretary of State, George C. Marshall, told the whole story, when he said "We cannot maintain an occupation of nations where the people are starving."

None-the-less, we feel that sufficient reductions can be made in the budget—mainly through a conscientious effort to dispense with such governmental personnel, units and agencies which are no longer essential and the judicious consolidation of others—to permit a reduction in tax rates for the current year. Admittedly, these probably will not allow a 20% "across the board" reduction. They would, however, permit a sufficient reduction to temporarily satisfy most and free Congress to embark upon the more important, complex and tedious task of completely overhauling our present tax structure and in the process eliminate all of the inequalities therein.

There are many tax inequities in our present tax system. Three of the most serious which provide a most fertile field for reform and which, if corrected, will act as a major stimulant to business enterprise and investment and at the same time reduce revenues very little, if at all, are, the almost confiscatory surtax rates, the double taxation of corporate dividends and the haphazard Capital Gains Tax.

Accordingly, we strongly urge that the following revisions be put at the head of the list of tax reforms in overhauling our tax system:

1. Limit surtax rates to a maximum of 50%.
2. Eliminate double taxation of dividends.
3. Eliminate the Capital Gains Tax or liberalize its provisions.

Surtax Rates

Individual surtax rates must be reduced to a maximum of 50%. Under our present system the rate reaches 50% at $18,000.00 and a maximum of 88% at $200,000.00. Taxation of this magnitude definitely tends to destroy incentive to greater managerial efficiency and ingenuity, and consequently greater productive effort.

If we are to assume a tax system, designed to fully

support a normal postwar budget of approximately $25 billion, the bulk of the revenues must come from the low and middle income brackets. The simple fact is that the total income in the brackets above $25,000.00 amounts to only $3 billion. It can be seen therefore that even if these were all taxed away, it would fall far short of providing the required $25 billion.

In the final analysis, taxes may be levied only against personal income and wealth. Therefore, even though other taxes are levied in lieu of or to support the individual income tax, it is an inescapable fact that the low income groups will still carry the lion's share of the tax burden.

Double Taxation of Dividends

Under our present law, corporation income distributed as dividends, is taxed twice. It is taxed as a profit to the corporation and is again fully taxed to individuals as dividend income. There is no other form of income that is taxed twice.

Virtually everyone is aware of this inequity and it has received a great deal of attention lately, culminating in a detailed study recently issued by the Treasury Department's Division of Tax Research. The study examines five proposals that would provide relief from double taxation but reaches no definite conclusion.

Without going into detail with respect to each of the proposals, suffice it to say that the simplest and most equitable manner of settling the problem is probably to allow both the corporation and the individual to pay their taxes, as at present, but give the individual a credit for the tax the corporation has paid on any dividends he receives.

The elimination of double taxation would supply powerful stimulus to enterprise to increase corporate and national income sufficiently to result in an increase in revenues rather than a reduction of tax receipts.

Capital Gains Tax

Under our present tax law, short-term capital gains are taxed like other income. Long-term capital gains, on the other hand, may be either reduced by 50% and taxed like other income or taxed separately at a maximum effective rate of 25%.

Capital losses can be deducted from capital gains in full and from other income up to a maximum of $1,000.00. Any unused losses may be carried forward for a period of five years to apply without limitation against capital gains or as a deduction against other income to a maximum of $1,000.00 in such years.

Clearly, this arrangement is a compromise between including all capital gains and losses with other income and their complete tax exemption. It is also evident that the present arrangement is not entirely equitable for the reason that it does not permit the complete allowance of capital losses due to the limitations inherent in the five year carry forward provision in connection with such losses.

Capital gains are not true income and therefore should not be taxed as income. Great Britain, Canada and most foreign countries have never imposed a tax on capital gains. Certainly, capital gains are not income to the prudent business man who makes a very clear distinction between his capital and his income. However, our income tax statutes have always treated them as income and the Supreme Court many years ago held that capital gains were income. To balance these divergent views, we feel that the present maximum effective rates of 25% should be reduced to a maximum effective rate of 12½%. Also, that net capital losses be permitted to be carried forward for a period of ten years instead of five years as at present. These liberalizing provisions would greatly promote investment, especially in new, small and risky enterprises.

Other Inequities

There are many other inequities in our present tax system. These, however, are a subject in themselves, and space limits us perforce to the more glaring of the inequities which are the above mentioned.

Some of the other inequities may, however, be commented upon in passing. The corporate tax rates should be reduced, with some preferential treatment accorded new and small corporations. Also, more realistic rules should be applied toward depreciation, depletion, inventory values, bad debts and research expenses. Corporations should be permitted to carryover losses for a period greater than the present two-year period. This provision should also apply to individuals. A provision should also be made to permit a person whose income fluctuates widely from year to year to distribute this income over a period of years so that he may be taxed at a fair average of same.

Our present tax system contains a multitude of excise taxes. A great many of these produce very little revenue and hence are essentially nuisance taxes. No one will deny that excise taxes are an essential element in a well designed tax system, providing, as they do, much-needed stability of receipts. We feel that it would be fiscal wisdom to concentrate the collection of excise taxes on a few widely used commodities and thus insure a more efficient administration of same and at the same time spread the burden of such taxes more widely and evenly.

Conclusion

Taxes are inextricably tied in with the budget. The cost of the operation of government must, of course, be paid by revenues collected through taxation. Too heavy taxation destroys incentive and prevents the formation of risk capital. Congress must, therefore, keep the cost of government down to the lowest level consistent with the efficient operation of the government in the interests of the general welfare and the national security.

The complete overhaul of our present haphazard tax system abolishing the above mentioned as well as all other inequities, would supply a tremendous impetus to the spirit of enterprise. It would provide the incentive for venturesome economic undertakings and soon build up production that would greatly add to tax collections, rather than reduce revenues, and provide a more stable source of federal revenue.

Happening In Washington

By E. K. T.

"LEGISLATIVE BUDGET" is the latest instrument in financing the federal government. Theoretically excellent, it will prove unworkable from a practical standpoint, say many members of the joint House and Senate committee in charge—and there seems little doubt that their appraisal will hold good at least for this year. The committee, in the space of about six weeks of the current session of Congress was expected to fix a limit of income and outgo for the next fiscal year, set "marks to shoot at," but was left without any authority to enforce its findings or even to obtain official reaction of the Executive Department or the Bureau of the Budget.

WASHINGTON SEES:

A development in relations between the Senate and House committees charged with the creation of a new body of labor-management laws is threatening the entire program by a "slow down" process.

It is not only lack of harmony between the two groups, but also actual rivalry. It cuts deeply because past experience has shown that House members who have placed themselves on the spot by enacting bills unpopular to certain important voting groups have found the upper House unwilling to concur. For several years, the first impact of a demand for union curbs has been felt by the House. Then, when the House acted—say leading members—a flood of lobbying activity has washed over the Senate and the legislation has been toned down if not actually emasculated. The President's message during the coal strike and the bills which were immediately thereafter enacted by the House only to be ignored by the Senate, is one instance; the revision of the Case Bill is another. There are numerous additional examples.

The House has "had enough," Chairman Hartley of its labor committee has made it clear. It intends this year to let the Senate send up the legislative trial balloons and await the reaction. This a sharp departure from the outlook of only a month ago; then, the House committee was on a crusade, regarded time of the essence.

It could have political implications, too. Hartley is high in the councils of eastern republicanism. Senator Robert A. Taft of Ohio, is Senate chairman, and a presidential hopeful. Gov. Thomas E. Dewey "looks good" to the leaders in Hartley's New Jersey.

CEILINGS on disbursements and estimates of revenue announced Feb. 15 are, therefore, of little more than academic importance. One of the essential factors to be weighed under instructions of Congress when it set up the new system in the Reorganization Act was the report of the Council of Economic Advisers operating under the Employment Act. The Council was to relate prospective employment needs to budgetary figures, note whether they are in harmony. Its report was submitted even before the President released his budget message and almost two months prior to the report of the Congressional joint committee. It had no budget figures to go on; made no recommendation.

TAXPAYERS will be deluding themselves if they accept at face value the apparent guarantee of this month's legislative committee analyses of income and cost for the next fiscal year. Not intended as insurance to anybody it was, nevertheless the theory that there would be minor, if any, deviations from the schedules. But it must be remembered that the economy program, on which costs must be determined, is only in its formative stage; and the tax policy has been the subject of interminable wrangling and there isn't agreement even upon its fundamental points let alone its details.

LACKING binding force upon the Congress, the legislative budget will not cramp the style of the tax-levying and the appropriating committees of either house. Each will proceed as before. For example the ways and means committee is not directed to make a revenue cut in a specified percentage, or, for that matter, could decide on none. The appropriations committees might (*Please turn to page* 638)

As We Go To Press

Scattered efforts to get legal action against airports as nuisances are worrying the aviation industry. One injunction already has been issued — by an Ohio court. Land developers and real estate appraisers have pointed out that airports do not help residential land development. The drive is reminiscent of suits in early days of aviation to prevent planes from flying over one's property. Old theory of law was that landowner controlled his property, all above and all below it. Courts revised that theory to match modern changes.

UNRRA at last is making a serious effort to wind up its business by June 30. Contract cancellations are in early prospect and the State Department has fixed a ceiling of 475 million dollars for next year's aid to Italy, Greece, Yugoslavia, Czechoslovakia, Poland and a few others. Result will be creation of a new collection of purchasing missions in the United States, staffed largely by Americans.

Agriculture is receiving with satisfaction the word from Capitol Hill that there is no formal legislative program for the farms. In this case, nothing is better than something. There will be no tinkering with the Steagall Act or price support legislation for 1947 and, unless the economic roof falls in, none in 1948. Feeling is that the Steagall Act, imperfect as it is, constitutes a committment to obtain warime maximum production and ease the transition to peacetime. Congress won't renege.

The national lawmakers will resume the peacetime practice of summer vacations this year. As a result only "must" legislation, where Congress is confronted with a deadline such as the expiration of a law or an agency by the end of the fiscal year is certain of passage. Consideration, and good starts will be made in other fields, but labor legislation, for example, will not be completed. Revenue and tax measures, naturally, come within the "must" category and will be attended to on schedule.

Insurance companies are reportedly pulling out of support for the Wagner-Ellender-Taft Housing bill and the measure is moving up on the legislative calendar. Those companies were interested, originally, in the yield insurance feature of the proposed law: it would guarantee a yield to the investor and they were ready to flood the country with money, so the story goes. But they have made it clear that they want no part of this committment and the clause probably is dead.

Staid United States Senators raised eyebrows during hearings on personnel reductions when they were told the United States is engaged in multiple business operations normally handled by private enterprise, running a brewery in Massachusetts for example, and making hormones in New Jersey for another. It came about as a result of siezure by the Alien Property Custodian of plants whose stock was held by enemy nationals.

Proposal to abolish the office of APC has been killed off as a result, but liquidation will be accelerated. Time is of importance; too speedy action it is now reasoned might send the stock circuitously but eventually, back to the same ownerships. This government's holdings in those plants now are valued at 300 million dollars.

Open Congressional hearings on all legislative subjects promised in the Reorganization Act as an insurance to the taxpayers that their business would be transacted in a goldfish bowl already has gone the way of the pledge against creation

of special committees. The appropriations committee, most important of all to the taxpayer, is meeting regularly in executive session. Even the press is barred.

Secretary Marshall, having taken the United States out of China's family quarrel, now is determined to get this country out of Japan as speedily as possible. That proposition is not only of interest to the historian and the diplomat. It directly affects the industrialist who wants to know the nature and type of competition he must plan to meet from the Orient.

Argument still rages over the reparations to be imposed upon Japan — what industries that nation will be allowed to continue into its peacetime independence. Terms are at the root of it all. Russia considers its seizures in Manchuria to be justifiable war booty; under American definitions it would be reparations. The Soviet still wants high reparations, the British favor lower ones. As in the case of Germany, this country eventually will side with Britain.

House labor committee is fashioning a new weapon with which to reduce the absolute dictatorship of John L. Lewis over the coal mining industry. It's a plan to end "captive" unions which he completely and individually controls by appointing all of their officers. The Congressional plan is a simple one: a federal law prohibiting the collection of dues from any union member who is not permitted to cast a secret ballot for the election of officers of his local.

The labor-management agreement in the building trades industry, based upon flexible arbitral machinery, was so well received that it will be carried one step farther by AFL. Projected now is creation of a "czar" (in the American sense, such as Chandler in baseball and Johnston in the motion picture industry), whose decisions would be accepted in advance in matters involving union jurisdiction. Objective is to end the costly jurisdictional strikes which have put labor unions in bad.

Support is growing here for a new approach to the federal tax reduction goal. Thus far the attack has been piecemeal with accent wholly in individual payments. That cannot provide a balanced tax relief and the rival claims for attention, being made by corporations, are gaining. Excise taxes problems were sought to be disposed of by the simple expedient of continuing them. But that isn't ending the agitation.

The year 1946 was a good one for radio broadcasting from a business standpoint. On preliminary financial reports, the FCC has found four nationwide networks increased their gross income by 2 per cent; three of five regional networks decreased by 10 per cent — but of 751 stations reporting, an increase of 9.2 per cent was indicated.

The Federal Communications Commission, further probing the question of radio profits and operations is about to come up with a set of regulations on multiple ownership — two or more broadcast stations in the same, or closely related ownership. Hearings began Feb. 24, but several months likely will elapse beofre a decision is handed down.

Failure to foresee a loophole in the Reorganization Act has shifted the burden of private relief bills from Congress to the federal agencies and may cost the government millions of dollars. Formerly, an individual could not sue the United States of America for injuries suffered and their resulting costs. Now he may sue. One individual who had a claim for $900 before Congress, withdrew it and sued for $40,000. Congress had its own limits, fixed by long practice, and a private bill claimant rarely received more than $1,000.

House vote on limitation of Presidential tenure to not more than two terms was a good test of Congressional thinking on the 1948 prospects. The Republicans voted almost solidly for the measure and the Democrats split. Southern Congressmen went along with the GOP.

WHAT'S HAPPENING IN... WORLD STOCK MARKETS

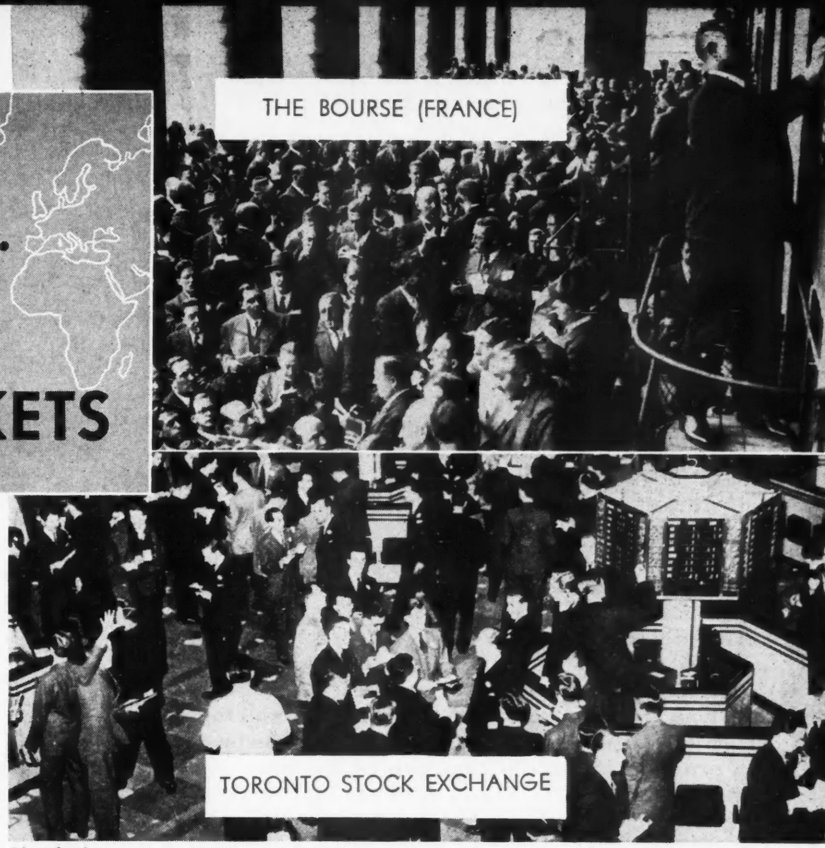


Photo by Acme

Price fluctuations on stock exchanges in different countries varied widely . . . based on the hopes and fears present in each nation

By V. L. HOROTH

In the days prior to the First World War the movement of stock price indexes served as a crude barometer of economic activity and were also regarded as indicative of business prospects ahead in their respective countries. Because of free capital movements and free convertibility of currencies, one stock market influenced another, and they moved more or less together—much like price indexes. During the inter-war period, stock market indexes lost some of their value as business indicators. This was because of the restrictions placed upon capital movements and increasing regulation of business by governments.

There were other changes also. While stock markets still influenced each other, the influence of the broad and active New York stock market became paramount, replacing the influence of London. This was a natural consequence of New York's becoming the world center of finance. Nevertheless, the London stock market retained a greater sensitivity to intennational developments—and hence was a better barometer of world conditions. It will be remembered that it took a tumble a few months ahead of our market in 1929.

A glance at the three accompanying charts, presenting stock market price indexes in about a dozen countries, will show that there has been little interrelation in their movements since 1939, with the possible exception of the United States and Canada, and perhaps Sweden and Switzerland. As a result of the war, individual countries have been economically isolated from each other to an extent never experienced before in modern times. With international capital movements practically eliminated the stock markets in individual countries can exercise little influence on each other. With the exception of Canada, the significant break in the New York stock market in the Fall of 1946 caused hardly a ripple in London, Mexico, Switzerland, France, Italy, Portugal.

Despite the isolation of individual national stock markets, there were certain influences and developments that were common to all. For example, the feeling of great uncertainty which fell on the world following the collapse of France in 1940 brought about a general slump in stock markets all over the world, except perhaps in Germany and a few satellite countries. All stock markets were affected by the expanding supply of money when war expenditures got under way, and by the decline in interest rates. Consideration of earning prospects and tax burdens likewise influenced all the markets. Finally, stock prices everywhere were affected by the fear of inflation. In many European, Far Eastern, and Latin American countries, the fear of inflation has been by far the most dominating force.

The index of industrial shares in *Canada* has followed much the same course as a similar *United States index,* except that the ups and downs have not been so extreme. Throughout the war and in the postwar period, inflationary forces have been much better controlled in the Dominion than in the United States and hence the urge to buy stock as a hedge against inflation has not been so strong. Also the volume of shares in relation to the supply of money has been relatively greater than in the United States, there being a good many new issues. Moreover, large blocks of Canadian securities were repatriated from London. Canadian stocks have behaved relatively better than American stocks since last summer. This may have been due to the pres-

sure of costs being less severe in Canada and also to the favorable position of some leading Dominion industries, such as pulp and paper.

London Exchange No Longer International

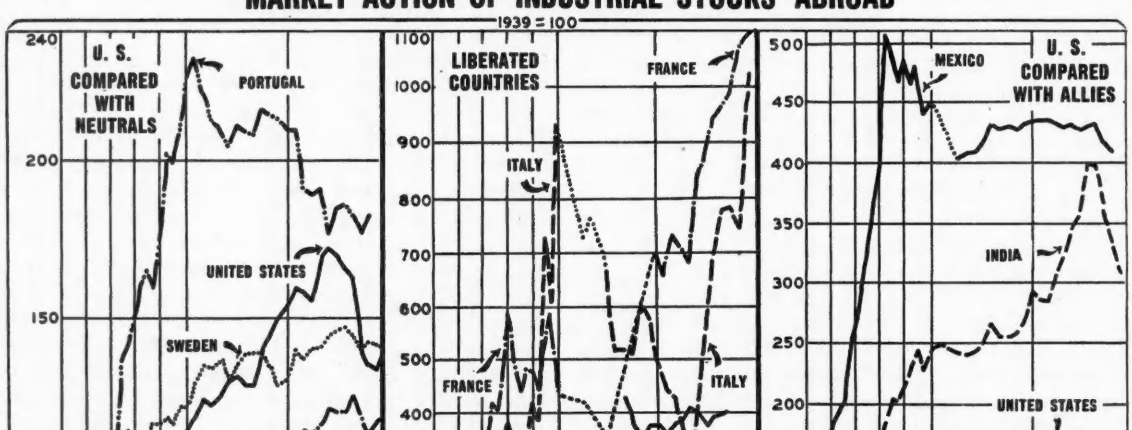
Of the *London* stock market, one might say that it has lost most of its former sensitivity to international economic situations, owing largely to the liquidation of hard currency securities during the war. With international buying and selling orders eliminated, London is now a national or, at best, a sterling area stock market. A bull market started in July 1940. The slow but consistent rise has been intermittently interrupted by such disturbances as Labor's victory in the summer of 1945 or the stock market break in New York last Fall. At the end of last year, stock prices were generally higher than the 1936 highs.

Probably the best explanation, though perhaps oversimplified, of the persistent rise of industrial shares in London is that their supply has been too small for the demand. There were practically no new issues offered from 1939 up to recently. Also, the available supply of shares has been narrowed in the elimination of coal, public utility and railway securities which will be taken over by the nationalization program. Shares of corporations normally operating in Eastern Europe or Southeastern Asia have been inactive because their future is uncertain. The ranks of potential investors in available domestic equities have increased. The low yield of Government securities and the inability to build houses or buy durable consumers' goods, such as automobiles, has made many people, even with relatively small savings, interested in the stock market. Funds released from investment in American, Canadian, Indian and other foreign securities which the British Government requisitioned during the war or which were repatriated, have been seeking re-investment in British stocks.

The rise in the industrial stock price index in *Calcutta, India,* to 260 (Jan.-July 1939—100) by the end of the war was largely due to fear of inflation, and was smaller than the rise of commodities in the same period. However, during the following 12 months the Calcutta Stock Exchange saw some heavy speculation, with the index going up to 400 by August 1946. The market's optimism was based on sanguine forecasts of the impending expansion of Indian industries and their profits. In September, and again in October, the market suffered so severe a break that the Calcutta Exchange was closed for a few days. The causes were overspeculation and the uncertainty about the price trend of some of the Indian commodities in the immediate future; also difficulties of 50 native banks in Calcutta to meet their obligations. The main reason, however, was the disturbed internal conditions and uncertainty about the commercial, and financial policies of the new Indian Government, a few members of which were known to favor almost totalitarian control over industries.

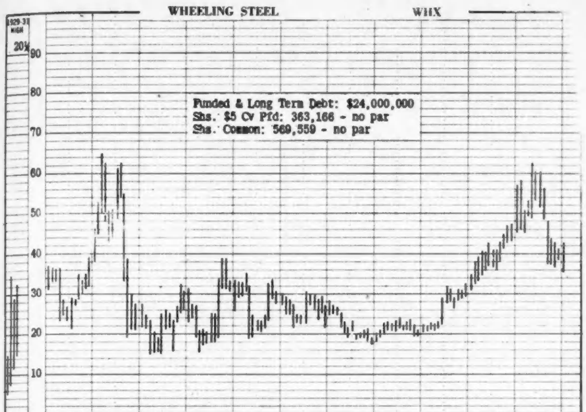
Mexican industrial stock prices experienced a great boom during the first three years of the war, increasing approximately five-fold by the spring of 1943. An important factor during this early period of boom was the inflow of American and European (refugee) funds, some of them seeking a haven from taxation. Since then, the Mexican stock market has shown no clearly determined tendency. While the volume of available Mexican funds for investment has greatly increased, the (*Please turn to page* 636)

MARKET ACTION OF INDUSTRIAL STOCKS ABROAD



SOURCE: UNITED NATIONS BULLETIN

Six Stocks With Strong Leverage Potentials



Yearly Range from 1932	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	47
EARN.	3.81	4.03	d 2.44	6.34	6.58	11.71	4.61	4.43	4.51	3.75		
DIV.	-	-	-	-	-	2.00	1.50	1.50	1.50	.75	1.50	
Wkg Cap $ Mil	37.3	33.3	34.1	37.1	37.3	43.5	43.6	45.9	48.9	51.2	—	

Yearly Range from 1932	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	47
EARN.	2.25	2.14	.20	1.34	2.42	2.53	1.52	1.56	1.39	1.44		
DIV.	2.87½	1.50	-	.75	1.50	1.50	.80	1.00	1.00	.75		
Wkg Cap $ Mil	4.4	4.6	5.1	5.8	6.2	6.5	7.2	8.5	8.8	16.1	—	

WHEELING STEEL CORPORATION

BUSINESS: Company is a long established producer of light steels, such as sheets, strips and tin plate, wire, tanks, drum and building material. Operations are fairly well integrated, customer relations firmly established.

LEVERAGE FACTORS: The capital structure of this company is such that earnings available for the common rise or decline rather rapidly during relatively minor changes in year to year prosperity, with accelerated effect during boom or depression periods. Outstanding at the end of 1945 were $23,750,000 3½% bonds due 1970; 363,166 shares of 5% convertible preferred and 569,559 shares of no par common, but the 1946 balance sheet may show slight changes. Hence, while prior charges of approximately $1 million annually must be met before the equity issue can benefit, all above this figure is so much "gravy" for the common. In other words, in a year when income before interest was $1 million, nothing would be left for the common, whereas if the figure were $3 million, ⅔rds would accrue to the common. As it happens in the case of Wheeling, the company has authorized a total of $75 million bonds, and in view of its $50 million planned expansion program, more of this issue is likely to be sold, thus increasing the leverage factor under discussion, if the step is taken.

OUTLOOK: While leverage can work just as fast in either direction, according to decline or enhancement of prosperity achieved, the outlook for the steel industry is currently so bright that per share earnings of this company should turn upward rather impressively in the medium term. In this event, the chance for price appreciation for the common shares should be strengthened by the leverage factor indicated.

DIVIDENDS: Variations in earnings caused by cyclical changes in the industry have adversely affected the company's prewar dividend record, but since 1941, distributions have been consistent. The 1946 dividend paid was $1.50 per share.

MARKET ACTION: Recent price—43, compared with a 1946-47 range of high—62½, low—35½.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31, 1941	Dec. 31, 1945	Change
	($ thousand)		
ASSETS			
Cash	$2,484	$2,766	+$ 282
U. S. Gov't securities	6,000	20,294	+14,294
Receivables, net	10,152	7,190	— 2,962
Inventories	33,956	31,040	— 2,916
Other current assets	....	1,313	+ 1,313
TOTAL CURRENT ASSETS	52,592	62,603	+10,011
Plant and equipment	132,778	141,285	+ 8,507
Less depreciation	58,382	75,140	+16,758
Net property	74,396	66,145	— 8,251
Other assets	5,873	4,391	— 1,482
TOTAL ASSETS	132,861	133,139	+ 278
LIABILITIES			
Sinking Fund Installment	1,200	1,250	+ 50
Accts. payable and accruals	5,140	8,049	+ 2,909
Reserve for taxes	2,187	1,863	— 324
Other current liabilities	500	248	— 252
TOTAL CURRENT LIABILITIES	9,027	11,410	+ 2,383
Long term debt	34,800	27,750	— 7,050
Reserves	2,589	1,732	— 857
Capital	64,922	64,795	— 127
Surplus	21,523	27,452	+ 5,929
TOTAL LIABILITIES	132,861	133,139	+ 278
WORKING CAPITAL	43,565	51,193	+ 7,628
Current Ratio	5.8	5.5	— .3

Thumbnail Stock Appraisal

HOUDAILLE-HERSHEY CORPORATION

BUSINESS: Company produces numerous precision made parts for the automotive, aircraft, railroad and other industries, with automotive items accounting for the bulk of sales. Bumpers, locks, levers, grilles and crank shafts are important features.

LEVERAGE FACTOR: Of $6 million 3% debentures outstanding a year ago, the sinking fund has retired at least $300,000 by now, although the 1946 annual statement is not yet available to disclose the exact situation. On the basis of $5.7 million, the annual interest charges would amount to $171,000 per year. Additionally there are 190,000 shares of $2.25 cumulative preferred, par $50, dividend requirements for which come to an annual total of $427,500. The company hence must distribute a grand total of $598,500 in the way of senior charges before earnings ratable for 785,000 shares of common can be figured. This leverage factor equals about 76 cents per share for the equity. When available net earnings advance or decline above or below this figure, which is static, the benefit or disadvantage becomes more than normally impressive. Hence leverage imparts an important degree of speculative appeal, often reflected by volatility in the price of the shares.

OUTLOOK: Now that the automotive industry is at last getting nearer to full production, sales by Houdaille for original equipment should show marked improvement during the current year. Net earnings in turn are likely to trend upwards as result of volume gains and as the flow of essential raw materials speeds up. Barring work stoppages and too keen competition, this concern should enjoy above average prosperity in 1947.

DIVIDENDS: Distributions have been rather erratic but omissions have occurred in only years of major depression, or during a turbulent year like 1946. In 1945, 75 cents per share was disbursed and during 1943-44 $1 per share.

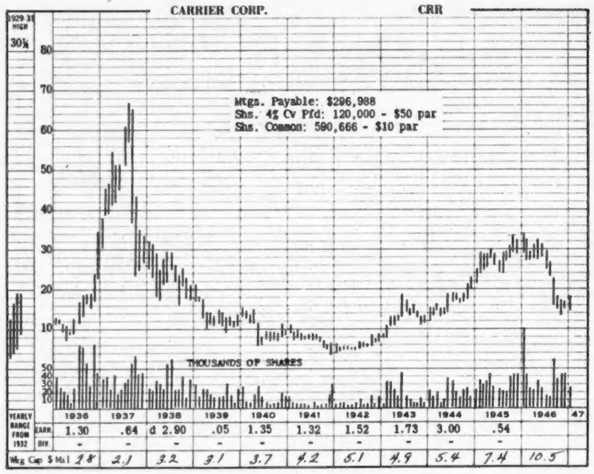
MARKET ACTION: Recent price — 18½ with aa 1946-47 range of high—28⅜, low—12½.

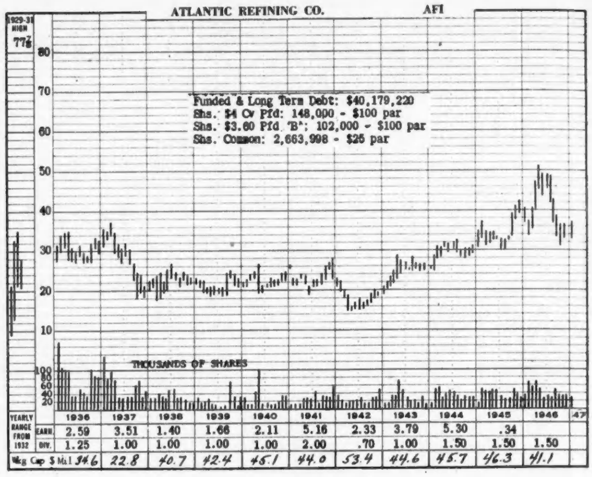
COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31, 1941	Dec. 31 1945	Change
	($ thousand)		
ASSETS			
Cash	$4,391	$7,811	+$3,420
U. S. Gov't securities	519	4,442	+ 3,923
Receivables, net	4,681	6,163	+ 1,482
Inventories	6,404	3,743	— 2,661
TOTAL CURRENT ASSETS	15,995	22,159	+ 6,164
Plant and equipment	14,167	16,580	+ 2,413
Less depreciation	7,273	9,643	+ 2,370
Net property	6,894	6,937	+ 43
Other assets	310	347	+ 37
TOTAL ASSETS	23,199	29,443	+ 6,244
LIABILITIES			
Notes payable	....	300	+ 300
Accts. payable and accruals	6,362	5,100	— 1,262
Reserve for taxes	3,109	616	— 2,493
TOTAL CURRENT LIABILITIES	9,471	6,016	— 3,455
Minority Interest	453	968	+ 515
Long term debt	....	5,700	+ 5,700
Reserves	140	1,204	+ 1,064
Capital	9,271	10,322	+ 1,051
Surplus	3,864	5,233	+ 1,369
TOTAL LIABILITIES	23,199	29,443	+ 6,244
WORKING CAPITAL	6,524	16,143	+ 9,619
Current Ratio	1.7	3.7	+ 2.0

Thumbnail Stock Appraisal

Six Stocks With Strong Leverage Potentials





CARRIER CORP.

BUSINESS: Company is a leading manufacturer of apparatus and equipment related to air conditioning, refrigeration and industrial heating. It also designs, fabricates and installs air conditioning and refrigeration systems. New lines scheduled are food freezing and storage units, and gas and air compressors.

LEVERAGE FACTOR: Ahead of the 591,000 shares of common are 120,000 shares of 4% preferred ($50 par), and a $3 million term loan arranged last May with a New York bank. Prior charges ahead of the common amount to about 50 cents a share and afford some leverage. Shares having leverage are more volatile because the leverage factor tends to distort per share earnings out of proportion to operating profits. In a rising market, shares with leverage go up very fast, the reverse is true in a declining market.

OUTLOOK: The large demand for commercial installations and the promising potential market in the residential field indicate favorable operations over the intermediate term. The company is equipped to provide almost any kind of temperature in practically all types of buildings. Backlog of orders as of Nov. 1, 1946 amounted to $30 million and the demand is expected to continue favorable. Margin of profits should improve this year owing to expanding production and increased prices of its products.

DIVIDENDS: No dividends have ever been paid on the common, and working capital and expansion needs preclude early initiation of any dividend.

MARKET ACTION: Recent price 18⅞ compares with a 1946-47 high of 34 and a low of 13⅝.

COMPARATIVE BALANCE SHEET ITEMS

	Oct. 31, 1941	Oct. 31, 1946	Change
	($ thousand)		
ASSETS			
Cash	$ 333	$2,048	+$1,715
Receivables, net	2,220	5,901	+ 3,681
Inventories	4,277	9,310	+ 5,033
Uncompleted Contracts	620	1,385	+ 765
TOTAL CURRENT ASSETS	7,450	18,644	+11,194
Plant and equipment	2,810	7,554	+ 4,744
Less depreciation	1,091	2,105	+ 1,014
Net property	1,719	5,449	+ 3,730
Other assets	509	1,553	+ 1,044
TOTAL ASSETS	9,678	25,646	+15,968
LIABILITIES			
Notes payable	....	3,000	+ 3,000
Accts. payable and accruals	1,938	4,659	+ 2,721
Reserve for taxes	893	....	— 893
Other current reserves	443	505	+ 62
TOTAL CURRENT LIABILITIES	3,274	8,164	+ 4,890
Deferred liabilities	277	....	— 277
Long term debt	2,048	288	— 1,760
Capital	392	11,865	+11,473
Surplus	3,687	5,329	+ 1,642
TOTAL LIABILITIES	9,678	25,646	+15,968
WORKING CAPITAL	4,176	10,480	+ 6,304
Current Ratio	2.3	2.3	....

Thumbnail Stock Appraisal

ATLANTIC REFINING CO.

BUSINESS: Marketing of gasoline, motor oils, and other refined petroleum products along the Atlantic Seaboard is the principal phase of the company's activities. A substantial portion of crude requirements is purchased. However, the company has greatly expanded its own producing properties since 1940.

LEVERAGE: Leverage position of the common stock is high, as there are $30 million in long-term debt and $25 million of preferred senior to it. Charges on these senior issues amount to about 63 cents a common share.

OUTLOOK: Although primary emphasis is still refining and marketing and related activities, excellent progress is being made in building up crude production under a long range development program. This should impart an element of stability to future earnings which, in the past, have shown fairly wide variations. Continued heavy capital expenditures in strengthening the crude production department should result in further improving the degree of operating integration. Owing to the retention of the bulk of earnings—dividends were only a third of net profits in the past ten years—Atlantic refining has expanded potential earnings power without resorting to large-scale financing. A favorable price structure should result in continuing good business this year, despite the possibility of a business recession, as improved refining technology will enable greater operating flexibility.

DIVIDENDS: Dividends have been paid regularly every year since 1923. In the last 10 years payments have ranged between $1.00 and $2.00, and last year amounted to $1.50 per share.

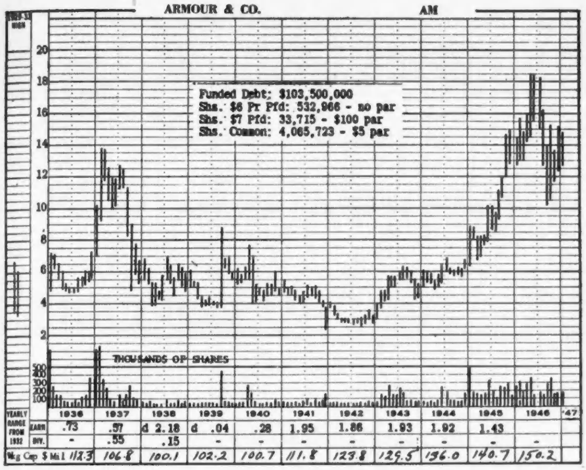
MARKET ACTION: Recent price of 37, compared with a 1946-47 high of 51½ and a low of 31.

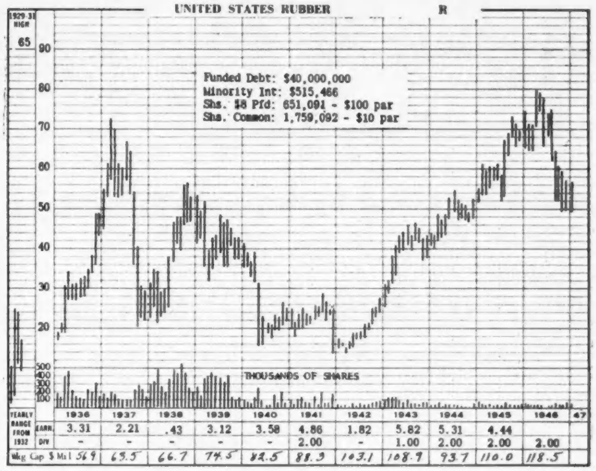
COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31, 1941	June 30, 1946	Change
	($ thousand)		
ASSETS			
Cash	$18,803	$12,627	—$6,176
Marketable securities	259	6,051	+ 5,792
Receivables, net	13,683	13,514	— 169
Inventories	30,223	38,590	+ 8,367
Other current assets	50	1,120	+ 1,070
TOTAL CURRENT ASSETS	63,018	71,902	+ 8,884
Plant and equipment	279,481	377,354	+97,873
Less depreciation	117,811	180,227	+62,416
Net property	161,670	197,127	+35,457
Other assets	4,583	10,693	+ 6,110
TOTAL ASSETS	229,271	279,722	+50,451
LIABILITIES			
Notes payable	880	8,009	+ 7,129
Accts. payable and accruals	10,694	16,128	+ 5,434
Reserve for taxes	7,284	6,597	— 687
Other current liabilities	124	32	— 92
TOTAL CURRENT LIABILITIES	18,982	30,766	+11,784
Deferred liabilities	67	315	+ 248
Short term debt	25	1,438	+ 1,413
Long term debt	25,000	28,000	+ 3,000
Minority Interest	3	6	+ 3
Reserves	11,150	8,235	— 2,915
Capital	81,400	91,600	+10,200
Surplus	92,644	119,362	+26,718
TOTAL LIABILITIES	229,271	279,722	+50,451
WORKING CAPITAL	44,036	41,136	— 2,900
Current Ratio	3.3	2.3	— 1.0

Thumbnail Stock Appraisal

Six Stocks With Strong Leverage Potentials





ARMOUR & CO.

BUSINESS: Company and its subsidiaries constitute the second largest meat packing enterprise in the world. In addition, Armour manufactures butter, cheese and other dairy products; salad oil and shortening; also chemicals, pharmaceuticals and fertilizers. Business also includes processing of animal by-products.

LEVERAGE FACTOR: Present capitalization consists of $89,000,000 of long-term debt, 532,996 shares of $6 pfd. ($100 par value), 33,715 shares of $7 pfd. ($100 par value) and 4,065,712 shares of common. Prior charges ahead of the common amount to about $1.45 per share, which means that the company must earn at least that much before the common stock can show a profit. Company is working on a recapitalization plan to retire present preferreds with their large dividend accumulations by means of new issues with lower dividend rates. This would decrease prior charges but still leave a strong leverage factor present.

OUTLOOK: Prospects favor another good year of earnings for the company even though a recession from the unusually high figure of last year is likely, since conditions existing in 1946, with OPA control and de-control and skyrocketing of meat prices, are a thing of the past. Inventories may suffer a decline, but Armour set up a $9.5 million reserve fund last year to take care of any price deterioration.

DIVIDENDS: In the past 13 years the common has received only one dividend, 70 cents paid in 1937, and there are very large accumulations on each of the preferreds. However, should the recapitalization plan go through and should earnings continue favorable, it is possible that the common may receive something.

MARKET ACTION: Recent price of common 14, compared with a 1946-47 high of 18½, and a low of 10⅛.

COMPARATIVE BALANCE SHEET ITEMS

	Nov. 1, 1941	Nov. 2, 1946	Change
	($ thousand)		
ASSETS			
Cash	$18.281	$39,577	+$21,296
U. S. Savings Bonds	....	67	+ 67
Receivables, net	52,175	47,579	— 4,596
Inventories	118,999	131,069	+ 12,070
Other current assets	777	....	— 777
TOTAL CURRENT ASSETS	190,232	218,292	+ 28,060
Plant and equipment	203,429	213,720	+ 10,291
Less depreciation	61,853	84,585	+ 22,732
Net property	141,576	129,135	— 12,441
Other assets	15,591	16,938	+ 1,347
TOTAL ASSETS	347,399	364,365	+ 16,966
LIABILITIES			
Notes payable	47,364	10,462	— 36,902
Accts. payable and accruals	15,931	24,783	+ 8,852
Reserve for taxes	14,386	32,812	+ 18,426
Other current liabilities	725	....	— 725
TOTAL CURRENT LIABILITIES	78,406	68,057	— 10,349
Deferred liabilities	1,913	775	— 1,138
Minority Interest	237	649	+ 412
Long term debt	63,138	88,994	+ 25,856
Reserves	4,120	13,700	+ 9,580
Capital	130,120	77,000	— 53,120
Surplus	69,465	115,190	+ 45,725
TOTAL LIABILITIES	347,399	364,365	+ 16,966
WORKING CAPITAL	111,826	150,235	+ 38,409
Current Ratio	2.4	3.2	+ .8

Thumbnail Stock Appraisal

UNITED STATES RUBBER COMPANY

BUSINESS: One of the largest makers of rubber products in the world, deriving about half of its revenues from sales of tires, and the rest from a wide range of consumer goods and industrial products. Under normal conditions the company operates large rubber plantations in the Far East. Since war began it has become one of the largest producers of synthetic rubber.

LEVERAGE FACTOR: The December 31, 1946 balance sheet of U. S. Rubber Co. shows substantial amounts of senior capital ahead of the common stock. $40 million 2⅝% debentures are outstanding along with some $65 million 8% non-cumulative preferred stock, par value $100 per share. The equity is represented by approximately 1.7 million shares of $10 par common. Percentagewise, accordingly, the total capitalization is divided about as follows: senior securities—86%, equity—14%. This relationship furnishes an important leverage for the common in boosting the rate of per share earnings when available incomes rises above the level of fixed charges equal to $3.54 per share, with corresponding adverse affect when earnings trend in the opposit direction.

OUTLOOK: The reader's attention is called to our special survey of the rubber industry in this number of the Magazine, in which the outlook for United States Rubber is discussed in some detail, along with reported net for 1946 equal to $10.23 per share. This latter impressive figure shows to some extent how the leverage factor proved of help during a period when earnings exceeded fixed charges by a wide margin. In like manner the rate per share would recede relatively fast under less favorable circumstances.

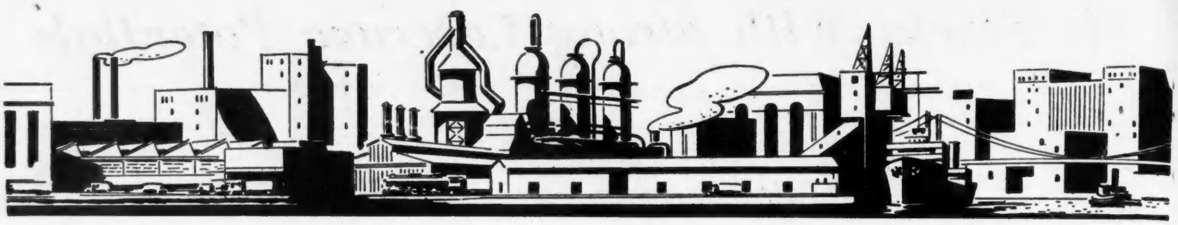
DIVIDENDS: Since 1895, the dividend record of this company has been variable. In the 1922-40 period no dividends were paid on the common, but for the past three years distributions have been at the annual rate of $2 per share.

MARKET ACTION: Recent price of 58 compares with a 1946-47 high of 80¼ and a low of 48¼.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31, 1941	Dec. 31, 1946	Change
	($ thousand)		
ASSETS			
Cash	$29,136	$25,751	—$3,385
Marketable securities	9,829	....	— 9,829
Receivables, net	39,184	60,314	+21,130
Inventories	76,666	101,087	+24,421
TOTAL CURRENT ASSETS	154,815	187,152	+32,337
Plant and equipment	191,155	247,909	+56,754
Less depreciation	124,202	174,053	+49,851
Net property	66,953	73,856	+ 6,903
Other assets	2,936	6,335	+ 3,399
TOTAL ASSETS	224,704	267,343	+42,639
LIABILITIES			
Accts. payable and accruals	42,622	49,374	+ 6,752
Reserve for taxes	23,842	19,294	— 4,548
TOTAL CURRENT LIABILITIES	66,464	68,668	+ 2,204
Deferred liabilities	....	944	+ 944
Minority Interest	418	387	— 31
Long term debt	37,947	40,000	+ 2,053
Reserves	7,726	11,647	+ 3,921
Capital	82,500	82,700	+ 200
Surplus	29,649	62,997	+33,348
TOTAL LIABILITIES	224,704	267,343	+42,639
WORKING CAPITAL	88,351	118,484	+30,133
Current Ratio	2.3	2.7	+ .4

Thumbnail Stock Appraisal



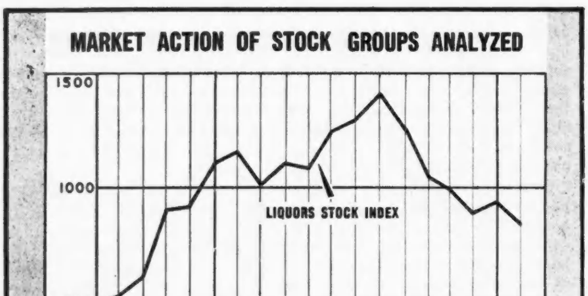
1947 Special Re-appraisals of Values, Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Motors, Motor Accessories, Paper, Tires and Rubbers, Movies and Liquors

Part III

JUDGING from the 1946 annual reports now coming in, the majority of industrial concerns have pushed sales and earnings to record peacetime heights. But from now on, competition, largely absent last year, will begin to create entirely new conditions. Hence to assure stable income or to build up capital through appreciation, investors must rely heavily upon selectivity and wise timing to adjust their portfolios in the rapidly changing scene. The appended chart may prove helpful in appraising the different price courses established by shares in the groups discussed in the following pages.



Intelligent investors desirous of satisfactory income or of soundly based hopes for appreciation are now scrutinizing their portfolios as seldom before. Only by recourse to reliable facts and trained judgment can decisions be reached to form and implement a sensible investment program, for some shares which proved leaders last year may prove to be the laggards of 1947 and vice versa.

In order to assist our subscribers in formulating investment decisions, the MAGAZINE OF WALL STREET presents its Security Appraisals and Dividend Forecasts at six months intervals, in addition to its regular coverage of important developments. By this method, the maximum number of industries are periodically reviewed.

The key to our ratings of investment quality and current earnings trend of the individual stocks—the last column in the tables, preceding comment—is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal. The accompanying numerals indicate current earnings trends thus; 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of highgrade investment quality with an upwards earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. *Purchases for appreciation should of course be timed with the trend and investment advice presented in the A. T. Miller market analysis in every issue of this publication.*

Weighing Potentials IN The MOTORS

By GEORGE W. MATHIS

Photo by Graham Paige

With easier flow of materials and improved labor relations production of motor cars is gaining greater momentum monthly

THE TEMPO OF AUTOMOBILE PRODUCTION has been rising so noticeably that most parts of the industry can best be described as practically humming. Production in United States plants by the entire industry amounted to about 3,089,000 motor vehicles in 1946 or 68% of production in 1941. The industry had been struggling during the first half of last year under difficult conditions in reflection of, among other things, the effects of strikes and shortages of materials. The change in tempo began with a sharp increase in the three months ended September 30th, and a further increase in the last quarter. The second half accounted for two-thirds of the year's production. In order to complete the background of increasing output of cars and trucks, it should be noted that production statistics, after the shutdowns early this year for model changeovers, are approaching 100,000 units per week. Thus, a trend toward larger volume appears to be the rule.

Demands for Wage Increases Appear Becalmed

Under the egis of the present Congress, and considering the fact that the rising cost of living no longer is a substantial threat to further lowering of real incomes, labor's demands for higher wages do not pack the wallop that they did before the last election. Talk of further wage increases has been replaced by renewals of contracts for two or three months or more, depending upon the company considered. If the cost of living continues downward and both labor and management take statesmanlike attitudes toward wage rates and lowering production costs through more efficient operations, wage rates should not present a problem, certainly not to the extent that they did in 1946.

Price Level Is Relative

The industry built its substantial volume of passenger car sales over a long period of years upon the low-priced car field. Of the 1929 record sales totaling 4,975,000 passenger cars in the United States and Canada, in marked contrast to present prices 64% were in the wholesale price classification below $500. In the 1934-'41 recovery from the depression, increasingly large volume was obtained in the $501-$750 range (74.88% in 1941) and the $751-$1,000 range gained in importance in this period to nearly 20% of total production in 1941.

As car prices have increased materially since the war, due principally to the higher costs of materials and labor, the sales picture last year by price groups is likely to have shown the largest volume in the $1,001-$1,500 wholesale price range. Since 1941, while average automobile prices have increased around 40% or 50%, income payments are more than sufficient to meet the higher prices, November, 1946, income payments, consisting of salaries and

wages, interest and dividends, and farm marketings including government payments (the latter are small), aggregated 75% more than before Pearl Harbor. In the same period, the cost of living increased nearly 38%. As the Bureau of Labor's wholesale price index on January 25, 1947 was 140.3 against 92.2 pre-Pearl Harbor, a rise of 52% is indicated. Thus, the rise in automobile prices does not appear to be out of line. In other words, statistics indicate that people are in just as good a position to buy automobiles now as before the war. Production of busses and trucks in 1946 was above the 1941 figures excluding military vehicles. An increasing number of busses and trucks are being powered by Diesel motors.

A few companies, notably General Motors Corporation—and we speak of this largest company in the industry enthusiastically, have diversified their operations. Diversification, of course, tends to reduce the cyclical swings in production for which passenger cars as well as trucks are noted. The cyclical nature of the industry is the principal factor which detracts from the investment quality of the common stocks.

General Motors was the pioneer in development of Diesel motors ranging from aircraft engines to complete Diesel locomotives. The five General Engine Divisions of this Corporation manufacture as well, components and replacement parts for their respective products. The uses of Diesels include marine and stationary engines of various sizes for boats, graders, shovels and tractors. The important Electro-Motive Division manufactures Diesel locomotives which enjoy widespread acceptances by major railroads for main line passenger and freight service and switching use. The products of most of these divisions are sold directly to the user or to the manufacturer who incorporates the engine in his product. In the electric refrigeration field General Motors also enjoys large production of its Frigidaire followed in importance by Nash-Kelvinator Corporation, another automobile manufacturer that has become established in other fields with its Kelvinator and Leonard household and commercial refrigeration units and gas and electric ranges. General Motors also makes ranges, commercial refrigeration equipment, and air conditioning units.

At the present the industry can sell so many motor cars without unusual effort that probably it will not be in any haste to effect innovations and major improvements. However, developments that have been mentioned as possible buying inducements include lighter weight cars, independent wheel suspension, braking by electricity, high compression engines utilizing superior fuels for better mileage, and even supercharged engines. (*Please turn to page* 634)

Financial Survey of Leading Automobile Stocks

	In Dollars Per Common Share									
	1941-44 Avge. Net	1945 Net	1946 Net	1945 Dividend	1946 Dividend	Recent Price	Price-Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
Chrysler X	$5.96	$8.61	$2.37Se9	$3.00	$3.00	$104	12.1	2.9%	B3	Enjoys favorable position supported by good earning power, strong financial condition and one class of stock.
General Motors X	3.72	4.07	.16Se9	3.00	2.25	65	15.9	3.5	B3	Produces over 40% of entire industry output and had attained well diversified position.
Graham Paige	.27	.18	def.61Oc10	Nil	Nil	5½	30.6	....	C3	Feb. 5, 1945 sold automotive assets in exchange for Kaiser-Frazer stock and bond guarantee. Retained farm equipment business.
Hudson Motor Car X	1.45	.42	.13Se9	.40	.40	20	47.7	2.0	C3	Sales last year exceeded 1941. Earnings turned in third quarter with 28c a share reported.
Hupp Corp.	.26	.45	def.09Se9	Nil	Nil	7	15.5	....	C3	Has not re-entered auto field. Manufactures parts, etc., for several basic industries. Order backlog $20 million.
Mack Trucks	4.56	4.64	def.53Se9	3.00	2.00	55	11.8	3.6	B3	Heavy-duty truck manufacturer. Net curr. assets large. Outlook promising. Export business important.
Nash-Kelvinator	.91	.58	.59	.50	.50	19	32.2	2.6	C+2	Increased 1946 sales above 1941. Dec. quarter earned 94c including 54c tax credit. 1947 earnings should well exceed 40c quarterly.
Packard Motors	.26	.08	.09Se9	.15	Nil	7½	93.7	....	C+1	Established manufacturer declared dividend 15c this year on the large issue of 15 million shares of stock.
Reo Motor	2.80	4.11	2.41Se9	1.50	1.50	30	7.3	5.0	C+3	Although a minor company large deferred demand for trucks, and diversification provide good outlook.
Studebaker X	1.25	1.39	def.11Se9	.50	.50	24	17.3	2.1	C+3	Obtaining its share of large car market. Outlook for profits good.
White Motor X	3.84	3.25	.16Je6	1.25	1.25(x)	29	8.9	4.3	B3	Progressive company with large working capital per share. Has good earning power.
Willys-Overland	.92	1.14	.08	Nil	Nil	13	162.5	....	C+3	Without income tax credit, deficit last fiscal year over 16c a share. Sales potential yet to be proven.

Je6—For 6 months ended June 30. Se9—For 9 months ended September 30. Oc10—For 10 months ended October 31. (x) Plus 10% Stock.

Factors Dominating . . . MOTOR ACCESSORIES

By WARREN BEECHER

THE WAR JOB COMPLETED by the motor accessories companies ranks among the greatest of any industrial group. Their facilities were adaptable to casting, forging, machining and stamping of metal products into tools for war. Volume of business increased to many times that of the prewar period. One of the results—which augurs well for the peacetime period, was an increase of more than 75% in working capital between 1940 and 1945 due to retention of wartime earnings. This increase together with new financing before the close of 1945 resulted in a combined increase in working capital of 100%. New financing in 1946 consisted of only a few issues, principally 200,000 shares of Borg-Warner 3½% preferred @ $103 and 298,971 shares of Electric Auto-Lite common @ $55.50 per share.

Good Long-Term Record

Examination of the long-term record of the motor accessories industry shows that operations have not been as cyclical as those of the automobile industry. The relatively good showing may be attributed principally to two factors:

(1) The replacement parts business comprises a large volume and is not subject to the wide swings of new motor car and truck production. (2) Many motor accessory companies enjoy diversification through sales to customers other than automobile manufacturers, and sales or finished products manufactured at their own plants and sold to the ultimate consumer.

Over the last twenty years, the wide swings in earnings evident in the automobile and truck group have been less evident in their accessory counterparts. Moreover, in considering the record of earnings last year, it is found that while results of primary motor manufacturers in the first half were dismal, about one-half of the accessory companies reported profits for that period. A year ago, manufacture of replacement parts had reached an annual sales rate of $1.5 billion. Further gains made later in the year resulted in 1946 volume of $1.6 billion in replacement parts which was not a sharp increase over the indicated production rate early in the year. However, 1946 production was well over twice the volume of $718 million achieved in 1941.

Recent Results

For the first nine months of 1946, of the companies included in our tabulation the following recorded gains in net income over the corresponding period of 1945: Bower Roller Bearing, Briggs Manufacturing, Campbell Wyant & Cannon, Cleveland Graphite Bronze, Collins & Aikman, Stewart-Warner and Thermoid Corp. Moreover, the decline in earnings of Raybestos-Manhattan was nominal, and the decline of Borg-Warner was moderated by the sharply reduced tax rates to only 8% below a year earlier. Many companies received the benefits of tax and reserve credits which will not be available this year, however, the latter holds true for all companies except those that have set up exceptionally large reserves.

The excellent demand for replacement parts resulted from the necessity of maintaining the cars on the road in useable condition. To this end raw materials were specifically allocated to the parts makers for replacement and for original equipment items.

Results earlier in 1946 were affected by the depressing consequences of one or a combination of such factors as strikes, material shortages, uneven deliveries resulting from sporadic operations of the primary automobile manufacturers, and restrictive price controls on some lines. Earnings improved as the year progressed and while such results varied widely among individual companies, it is expected that the group as a whole turned in a credible performance.

Other Products

Bendix Aviation's wartime operations brought wide expansion of aviation; but the management has promptly as conditions would allow, resumed the automobile accessory activities and is endeavoring to diversify through the radio and radio-phonograph division and equipment developed for railroads. Makers of tapered roller bearings, including Bower sell their products to many industries and, for example, the motor industry normally consumed around 55% of Timken's output. Automotive sales accounted for a like percentage of Borg-Warner's prewar production; the principal other divisions were household appliances, 25% of 1940 sales, products for the farm implement industry, 6%; aviation parts, 6% and miscellaneous other products the remainder. Since the war (*Please turn to page* 635)

Financial Survey of Leading Automobile Accessory Stocks

	1941-44 Net Avge.	1945 Net	1946 Net	1945 Divi-dend	1946 Divi-dend	Recent Price	Price-Earn-ings Ratio	Divi-dend Yield	Invest-ment Rating	COMMENTS
	In Dollars Per Common Share									
American Bosch	$1.63	$2.29	def$.27Se9	$.50	$.75	$17	7.4	4.4%	C+3	Depends primarily on auto outlets. Swedish group filed suit for return of their 77% of shares from Alien Property Custodian.
Bendix Aviation	6.59	7.31	def.38Je9	2.75	2.00	38	5.2	5.3	B3	19% owned by General Motors. Should continue 50c quarterly dividend. Good long-term prospects.
Bohn Aluminum X	5.82	6.99	2.65Se9	2.25	2.50	56	8.1	4.4	B3	Motor parts producer diversifying operations. Dividend well covered.
Borg Warner X	3.27	3.83	1.65Se9	1.60	1.60	47	12.2	3.4	B2	Best diversified company in industry. Established motor parts maker; dividend secure.
Bower Roller Bearing X	2.18	1.65	2.06Se9	1.67	1.50	38	23.0	3.9	B1	Second largest maker tapered roller bearings. Strong position through bad times protects dividend.
Briggs Mfg.	2.64	3.07	2.00Se9	2.00	2.00	40	13.0	5.0	C+1	Bulk of business in auto field results in wide swings in prices and earnings, but dividend stable.
Briggs & Stratton	1.70	1.53	3.15	1.00	2.25	31	9.8	7.2	B—1	Manufactures auto locks and small portable gasoline engines. Above average stability of earnings and dividends.
Budd Co. X	1.14	.64	deficitSe9	......	Nil	14	21.9	....	C3	Merged company makes auto bodies and wheels and railroad equipment. Depressed 1946 results may defer initial dividend.
Campbell, Wyant & Cannon X	2.37	1.52	1.64Se9	1.25	2.25	30	19.7	7.5	C+1	Produces iron and steel castings for auto industry. Continued good earnings and dividends.
Clark Equipment X	7.68	5.85	def.08Se9	3.00	3.00	62	10.6	4.8	B—3	Substantial original equipment business promises larger earnings and dividends.
Cleveland Graphite Bronze W	4.56	3.65	4.37Se9	2.00	3.00	70	19.2	4.3	B—1	Very satisfactory position. Sharp rise in earnings provides unusual dividend possibilities.
Collins & Aikman X	1.51	4.82	5.83No9	1.00	1.25	44	9.2	2.8	B—1	Further improvement is probable in 1947-'48 earnings and dividends.
Dana Corp.*	2.81	3.75	.71	1.00	1.00	27	38.0	3.7	B1	All-time high of earnings expected in fiscal year Aug. 31, 1947. Dividend increase likely.
Eaton Mfg. X	5.25	4.86	2.01Se9	3.00	3.00	56	11.5	5.3	B3	Earnings prospects favorable some years ahead amply covering dividend.
Electric Auto Lite X	3.98	3.76	1.50Se9	2.50	3.00	65	17.3	4.6	B3	Relatively favorable trade position provide excellent earnings and dividend outlook.
Electric Storage Battery X	2.57	2.20	1.69Je6	2.00	2.50	50	22.7	5.0	B1	Uninterrupted dividends over 40 years. May continue 50c quarterly with larger yearend extras.
Houdaille-Hershey X	1.75	1.44	.58Oc12	.75	Nil	19	13.2	....	C+3	Favorable prospects of resuming dividends. Sharp gain in earnings.
Kelsey-Hayes B	3.08	3.48	def1.52	1.50	.37½	19	......	2.0	C+3	Expect profits gain which should allow continuance 37½c quarterly on "B" stock.
Motor Products	1.95	2.58	1.21	1.00	.50	23	19.0	2.2	C+3	Strong working capital position and good gain in earnings. Further dividends likely.
Motor Wheel X	2.32	2.61	.84Se9	1.20	1.20	26	10.0	4.6	C+3	Prospects excellent earnings several years suggest maintenance of dividends.
Raybestos-Manhattan	2.79	2.44	1.61Se9	1.12½	2.12½	39	16.0	5.4	B2	Dividend paid Jan. 3, 1947 was 87½c against $1.00 paid a year before. Conditions should permit restoring the former rate, $2.12½.
Reynolds Spring	1.55	.94	def3.25	1.00	Nil	16	......	....	C+3	Substantial earnings improvement looked for allowing resumption of dividends later.
Stewart Warner X	1.41	1.28	1.31Se9	1.00	1.00	19	14.8	5.3	C+1	Increasing earnings lend assurance to dividends of at least $1 per share annually.
Thermoid Corp.	.87	.63	1.31Se9	.50	.60	14	22.2	4.3	C+1	Favorable results are indicated. The 15c quarterly dividend should continue.
Thompson Products X	7.05	3.55	1.05Se9	2.00	2.00	54	15.2	3.7	B—3	Expect profits gains in 1947 assuring regular and extra dividends.
Timken Detroit Axle	2.43	2.55	1.50	1.00	.75(x)	21	14.0	3.6	B—3	Large profits looked for 1947 and restoration of $1 dividend rate.
Timken Roller Bearing W	2.97	2.22	.49Se9	2.00	1.87½	50	22.5	3.7	B3	Quality stock with good long term prospects.

* Formerly Spicer Mfg. Se9—For 9 months ended September 30. Je9—For 9 months ended June 30. (x)—Plus 5% Stock. Oc12—For 12 months ended October 31. No9—For 9 months ended November 30.

RUBBER FROM THE AMAZON

Photo by Press Association

Substantial supplies of natural rubber are again coming to market to supplant use of synthetics

WHAT'S AHEAD FOR . . .

TIRES AND RUBBERS

By RICHARD COLSTON

LEADERS IN THE RUBBER INDUSTRY, when scanning potentials for the current year, admittedly find plenty of encouraging factors to gladden the hearts or their shareholders. Although one after another of last year's annual reports now coming upon the scene discloses record breaking peacetime sales and profits during the year just ended, management opinion seems quite unanimous that, barring the unforeseen, equally good things are in store for 1947. Indeed, more than one conservative company head has gone on record with predictions that volume trends should continue for some time yet on the up side.

That investors generally are aware that hazards unpredictable at the moment often arise to upset the apple cart is shown by the current low price-earnings ratios established by practically all shares in the rubber group. The big question, of course, is whether the stock market has over-discounted the uncertainties ahead or not, and to assist in the formation of individual opinions on this subject, we will attempt to present both sides of the picture.

For the rubber industry to emerge from the turbulent year of 1946 with some $3 billion sales to its credit and with net earnings sometimes double or triple those of 1945 is assuredly a tribute to management efficiency and resourcefulness. Granted that reconversion difficulties were light, both materials and skilled labor were scarce, so the feat of pushing production and deliveries to the levels achieved attests to a high degree of manufacturing ability. This latter factor, of course, could prove of even greater value during 1947, as the flow of essential materials expands, and labor productivity improves through longer experience. For another full year ahead, relief from excess profits will continue to widen profit margins, the setting up of reserves against renegotiation penalties is no longer a curb upon net profits, and for an entire twelve months period there will be complete freedom to set prices at any level desired. Finally, for at least several months to come it seems unlikely that demand will slacken to a point where capacity output will no longer be required. Hence the prospects appear bright for a prolongation of the same conditions which existed during the last half of 1946 as far as a sellers market is concerned, with corresponding benefit to net earnings potentials. Just when supply will become in balance with demand, to bring in its wake heightened competition and a probable softening of prices, is a sobering conundrum, however, and deservedly so. There are plenty of observers who think that some time later in the current year this adverse factor may appear or then be reported as just around the corner.

In appraising statistics bearing upon continued demand in this industry, a good many persons think in terms of tires importantly, as the title of our own article suggests. Substantial as this item is to the manufacturers, however, the number of varied uses to which rubber in some form is being utilized, has expanded so tremendously that to relate even a small portion would be utterly impractical. For every tire used on a car, there are some fifty other parts with rubber as a base. And the roster of industrial products dependent wholly or in part upon rubber runs to more than 50,000 in number. All of which is important to bear in mind because not only of the support to volume which these specialties give but for the reason that profit margins on many of them could in the long run be wider than on highly competitive tires.

Tire Production

But speaking of tires it is interesting to note that the 66 million passenger tires produced by the industry last year showed a 31% gain over 1940, with a 92% gain credited by an output of truck and bus casings. A round million tons of rubber was needed for this, the largest annual peacetime year in the history of the rubber industry. While specialists in the trade feel that almost as many more tires will be required to meet 1947 demand, there is likely to develop a shift in character which could affect profit margins to some extent. During last year, a very large proportion of tires were sold for replacement purposes and these generally enjoyed more favorable factors than those sold as standard equipment for the automobile manufacturers. In viewing the current year, it looks as if replacement demand may slacken in coming months, while unless the unexpected occurs the car makers should require tires for about 4.7 million passenger automobiles and trucks. Because of the record high cost of making cars under prevailing conditions, their makers are certain to scan the pennies hard when entering into contracts for sizable numbers of tires, employing every device known to them to stimulate competition among the tire manufacturers. In short, to land the business the rubber industry may soon have to do some closer figuring than heretofore in order to keep volume at a high level in individual instances. And while a short supply of rubber footwear, golf and tennis balls, clothing, and industrial products will probably exist for another few months, the time is rapidly approaching when large expenses for promotional activities will tend to add to costs, just when a natural downtrend in prices might set in.

Natural vs. Synthetic Rubber

Another factor involving profit potentials is the outcome of the approaching battle between natural rubber and the war-developed synthetic materials. The raw crude has been staging a great come back during the past year, with good prospects that in 1947 the available supply may exceed the total required by the industry in a good year like 1940. This creates a poser for both the industry and the Government in view of the more than 60 synthetic rubber plants erected by the Government in war years at an expense of some $700 million, and which turned out 750,000 long tons in 1946. President Truman has just tossed the problem into the lap of Congress, but until the Government decides upon a long term program to limit the use or importation of the natural item, none of the industrialists wishes to purchase the war plants from Uncle Sam. As matters look right now, the manufacturers will want to use about half a million tons of crude, for in the manufacture of tires it has been found that consumer preference leans towards the natural product, at least for casings: for inner tubes, however, the synthetic material has proven highly satisfactory, if not better. All in all, it seems likely that production of the synthetic in Government owned plants will decline by about one third in the near term, with some of the factories held for stand-by emergencies.

Comparative Costs

As the cost of synthetic rubber has been reduced to below 16 cents a pound through progressive experience, and the imported natural material costs five or six cents more, it will be seen that any change in the current proportions used will involve a corresponding flux in manufacturing costs. Thus, while the manufacturers are happy that they for the first time in history are sitting in the saddle over prices for foreign rubber, they are by no means certain yet just what the advantage may mean in terms of manufacturing profits. Practically all of the big units in the industry, also, have been deriving considerable fees for operating the Federal synthetic rubber plants, so that when production in these is curtailed, their revenues will naturally tend to dip somewhat.

Goodyear Tire and Rubber Co.

Getting down to company cases, the spectacular results achieved by Goodyear Tire and Rubber Co. in 1946 present a good background for a few comments. This concern reported record peacetime sales of $616 million, while net earnings totalled more than $36 million, equal to $16.07 per share. Thus while volume was almost $100 million under that of the preceding year, the net per share expanded sharply compared with the $5.87 reported for 1945. Compared with 1941, volume last year showed a gain of approximately $286 million and 1941 stood as its banner period in prewar. Quite as significant is the company's announcement that before figuring net earnings, one reserve of $10 million had been set aside for possible contingencies involving costs and prices, and another for $5 million as a protection for the company's $38 million investments in foreign countries. The status of its large properties in Sumatra and Java still remains quite obscure. Here at home Goodyear has greatly expanded its facilities, not only for tires and mechanical goods but for plastics and rayon as well. In South Africa, Canada, Mexico and Peru, enlarged capacity is also helping sales and profits. With working capital of $174 million and no domestic bank loans, the financial situation is exceptionally strong for this con-

cern, especially as it has at its disposal a five year revolving credit of $75 million at 1½% to use at any time desired.

United States Rubber Company also reported highly satisfactory operations in 1946 and appears confident that 1947 will prove pleasing. Sales of this company rose to $494 million compared with $471 million in 1945. Aided by a credit of $5.5 million for recovery of Malayan properties charged down in war years, net earnings before taxes climbed by about $10 million compared with the previous 12 months. After taxes, final net amounted to $23.2 million against $13 million in 1945. After allowance for preferred dividends, $10.23 was shown as available per share on the common. In his report to shareholders, president Herbert E. Smith considers the outlook for 1947 as one of great activity, with the backlog of consumer demand still so substantial that high level production seems well assured.

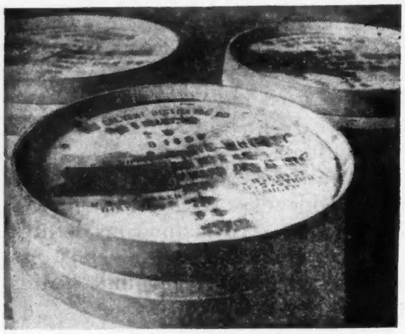
Summing up, the rubber industry has well demonstrated its ability to make the most of an unprecedented economic opportunity. How long these conditions will continue before competitive forces begin to press down prices and narrow profit margins is a matter of widespread difference of opinion. On the side of caution arises evidence of political and economic distortions both at home and all over the world. But optimists at least have some ground for viewing the next few years with confidence, and as regards the producers of rubber their earnings could trend considerably downward from last year's levels without endangering dividends. All in all, the prices for shares in this group leave room for considerable appreciation if all goes well, but too much stress should not be allotted to price—earnings ratios based upon 1946 showings.

Pertinent Statistics on Leading Rubber Companies

	In Dollars Per Common Share									
	1941-44 Avge. Net	1945 Net	1946 Net	1945 Dividend	1946 Dividend	Recent Price	Price-Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
American Hard Rubber	$2.14	def$4.31	....	$.75	Nil	$16	....	....	C+3	1946 progress hampered by materials shortages and a serious cost-price squeeze. Prewar record spotty. Resumption of dividend uncertain.
Dayton Rubber	1.60	1.87(a)	$4.43	.50	$.80	23	5.2	3.5%	C+1	Company getting full share of industry gains. Earnings trend upward. Large dividend coverage may result in extras.
Firestone Tire & Rubber X	5.74	7.42	13.21	2.50	3.75	60	4.5	6.2	B1	Sharply improved net earnings and bright prospects for further volume gains amply stabilize current dividend rate. Extras may be in sight.
General Tire & Rubber	2.76	2.20	5.19My6	1.00	1.00	38	17.3	2.6	C+1	Strong trade position brightens outlook for well sustained earnings. Dividend may be increased.
Goodrich, B. F. X	6.42	7.84	13.07Je12	2.25	4.50	71	5.4	6.3	B1	Spectacular earnings gains may not continue but wide margin over dividends leaves room for possibly better treatment of shareholders.
Goodyear Tire & Rubber X	6.25	5.87	16.07	2.00	4.00	60	3.7	6.6	B1	Good prospects for continued favorable earnings in near term may bring increased dividends, dependent upon pricing policies.
Hewitt-Robins	2.85	2.30	.26Se9	1.00	1.00	26	11.3	3.8	C+3	Sales expanding for this specialist in foam rubber and industrial products, though 1946 net was probably unimpressive. Dividend may be safe.
Intercontinental Rubber	.79	.67	.15Je6	.35	Nil	6½	9.7	....	C+3	Producer of natural and gavule rubber in Sumatra and Mexico. Under current adverse conditions dividend resumption uncertain.
Kleinert Rubber	2.05	1.46	....	1.00	1.25	18	12.3	6.9	C+2	Specialist in soft rubber goods such as bath curtains, dress shields and bathing caps. Stable earnings record in past should show current uptrend. Dividend safe.
Lee Rubber & Tire	3.09	5.00	8.91	2.50	3.75	55	6.2	6.8	B1	Small but well run concern currently doing a record business in the tire field. Advancing earnings warrant confidence in dividend status.
National Rubber Machinery	2.19	3.99	....	1.00	1.00	13½	3.4	7.4	C1	Strong patent position supports good volume at present. Conservative dividend probably secure.
Norwalk Tire & Rubber	.53	.95	2.25	.45	.50	13	5.8	3.8	C1	Improved earnings status likely to hold in near term. Moderate dividend amply covered, but prewar record not impressive.
Seiberling Rubber	1.89	1.33	1.73Je6	.50	.75	15	11.3	5.0	B—1	Specializes in replacement field for tires. Near term prospects bright. Improvement in dividend possible.
United States Rubber X	4.45	4.44	10.23	2.00	3.00	58	5.7	5.2	B1	Early 1947 outlook excellent. Strong finances and trade position bulwark potentials for continued good results in near term. Dividend may be raised.

(a) After accelerated amortization, before, net was $.75. My6—For 6 months ended May 31. Je12—For 12 months ended June 30. Je6—For 6 months ended June 30. Se9—For 9 months ended September 31.

Re-valuing The Liquors



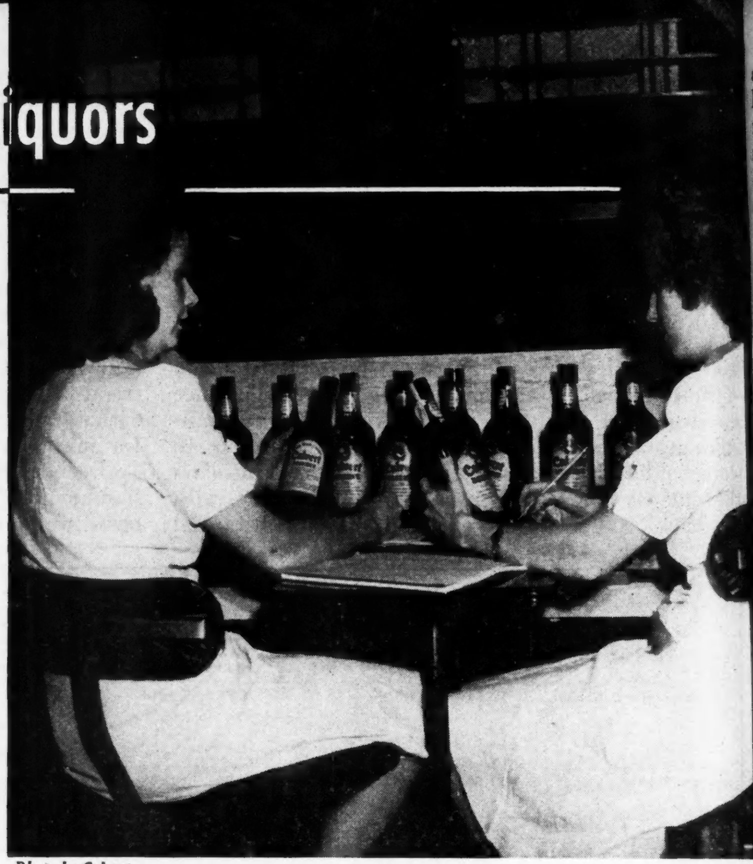


Photo by Calvert

Final inspection of the packaging completes the continuous testing to maintain quality standards for the highly competitive liquor market

By PHILIP DOBBS

IN SCANNING THE OUTLOOK in 1947 for producers of whiskies, beer and wines, it is wise at the very start to determine what yardsticks are to be used in comparing current potentials with those of former years. In view of the uniform and generally spectacular progress achieved by the distillers and brewers during the past five years, shareholders who expect their favorites to continue with consistent earnings gains indefinitely are not blessed with too much common sense. Such unwise hopes are likely to bring disappointment in their wake.

In gauging most industries, however, the accepted practice is to weigh postwar results against prewar, and from this angle the companies under discussion may be counted upon, perhaps, to give an excellent showing for themselves in the near period. In other words, if they can earn several times what they did in years immediately preceding Pearl Harbor and continue dividends at near the current rates, pessimism should not develop because relative earnings in 1947 may fail to equal the sixfold above prewar status won last year by some leaders in the field. For investors the main problem now is to weigh intelligently the extent to which current prices for shares in this group have discounted an undoubted change in conditions now facing the industry.

All along the line from the level of production, down to distribution and from there to consumption, the liquor industry appears to be facing a new crop of problems which must be solved before operations can be assured of genuine stability. On the other hand, there are certain advantages already in evidence or in the making which help to minimize the threatening handicaps. On the good side of the ledger, which we will consider first, is the fact that the public taste for good liquors, beer and wines has been sharpened in late years, although to an extent that does not denote an uptrend in over-indulgence, except from the viewpoint of individual budgetary considerations. Indubitably, total expenditures of some $8 billion by the consumers of these beverages in 1946 point to a generous allowance for luxuries, considering outlays for all purposes of not much more than $100 billion. But whether an extravagance or not, it seems clear that as long as the national income remains at a high level, money will continue to be freely spent for beverages of this kind. Should hard times and unemployment reappear, of course, sales by the industry would rapidly decline, and earnings would sharply contract.

As for production, the easing of Federal restrictions upon grain for distilling purposes is enabling whiskey producers to make strides in rebuilding stocks of bourbon and rye for aging in warehouses to something more akin to normal requirements than during war years. By the end of last November bonded stock of this character had risen to about 391 million gallons, a gain of 90 million over 1945 but still far below 1941 totals of 504 million gallons. Although from two to four years are needed in maturing these whiskies before distribution in their pure form or for use in blending with neutral spirits, the improvement in warehouse supplies shows that production already is outstripping consumption on a long range basis. The immediate problem arising from steps to rebuild stocks to the prewar status, is that despite more available grain supplies the current high prices, along with mounting costs for labor,

are pushing inventory values to such an upward level that by the time the whiskey becomes aged they may become topheavy in comparison with later on market prices when competition is in full swing. The large amounts involved also are absorbing huge amounts of working capital, although the stronger concerns have found it easy to borrow all the money they need at low rates. While it is the general practice in the industry to average inventory costs, the bloom has vanished from the sometimes fantastic prices realized during the months following the release from OPA controls. Signs are present, however, that during the current year, the producers are not likely to experience any such price cutting war as more than once sliced into profits during prewar periods. But sooner or later, competition for the consumer dollar could rather easily result in price distortions which would make large and high valued inventories a considerable liability.

Blended Stock

Whether or not the present popularity of blended whiskies will continue unabated is anyone's guess. Following War 1, when blends had been highly acceptable as a substitute for the straight whiskeys, there was a right-about-face demand for the unmixed liquor. Now that continuation of the heavy wartime excise taxes seems assured, it would seem certain that the price factor alone would prolong the demand for blends, aside from any other considerations. In this event the profit margins of the distillers should remain more favorable than otherwise, for cost of the 70% neutral spirits is naturally far less than that of the expensively matured straight whiskey.

In this connection, some of our readers may have reasoned that the current immense over supply of potatoes has proved a bonanza for the producers of neutral spirits using this medium rather than grain. Beyond question both of these agricultural products can be converted into the identical 190% proof neutral spirits, pure ethyl alcohol, required by the whiskey distillers. As to taste or chemical content, no expert can detect the slightest difference between the two. For some strange reason, however, with hundreds of thousands of tons of potatoes going to rot all over the country, the distillers are unable to acquire them at prices which would prove advantageous as against grain. Indeed, the Government is encouraging the farmers to destroy the potatoes by promising to reimburse them for the loss sustained, although an obviously ready market could be found at some price. Even if a farmer wished to save the expense of destroying his surplus crop by giving it away, he would be denied any Government subsidy. *(Please turn to page 633)*

Earnings Analysis of Distilling Companies

	In Dollars Per Common Share									
	1941-4 Avge. Net	1945 Net	1946 Net	1945 Dividend	1946 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
American Distilling	$3.92	$3.47	$11.70	Nil	$3.25	$41	3.5	7.9%	C+1	Sharp uptrend in earnings last year may not be equalled in 1947, but good chance that current conservative dividend may prove stable.
Austin Nichols	2.49	2.91	....	Nil	Nil	12	4.1	....	C+2	Recapitalization improves financial set up, but new distributing problems cloud outlook for earnings which would warrant early dividends on common.
Brown-Forman	1.29	3.51	....	.20	.50	20	5.7	2.5	C+1	Long established trade position favors continuation of profitable operations. Dividend improvement last year should easily hold.
Distillers-Seagrams	1.07	1.50	2.72	.45	.51	17	6.2	3.0	B1	Sizable whiskey stocks and ample working capital strengthen status. Good prospects in near term. Dividend amply earned.
National Distillers X	1.27	1.73	5.01	.67	1.42	21	4.2	6.8	B1	Retirement of bank loans bolsters financial position. 1947 outlook bright for sales and profits. Payment of extras should continue.
Park & Tilford	4.15	5.84	14.22Se9	Nil	3.00	50	8.6	6.0	B1	Gradual fading of sellers market could reduce earnings this year, but without endangering continuation of liberal dividend.
Publicker Industries X	2.12(a)	1.76	8.45Se9	Nil	2½% Stock	31	17.6	....	B1	Rapid growth of company's diversified production has caused retention of earnings to boost working capital. Payment of stock dividends probable.
Schenley Distillers X	2.45	6.43	13.64	1.14	1.85	48	3.5	3.8	A1	Expanded facilities and new lines support hopes for good volume Wide coverage of dividends by earnings suggests stable distributions.
H. Walker, G. & Worts X	2.48	3.07	5.28	1.00	1.05	24	4.5	4.4	B1	Production of blends and straight whiskeys benefitted by large warehouse stocks. Shareholders enjoy warranted confidence in dividend status.

Se9—For 9 months ended September 30. (a) 1943-4 Average.

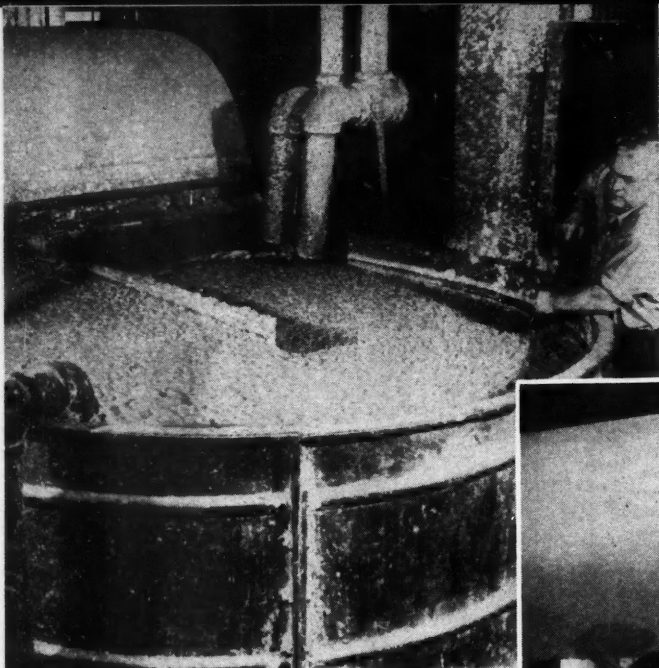
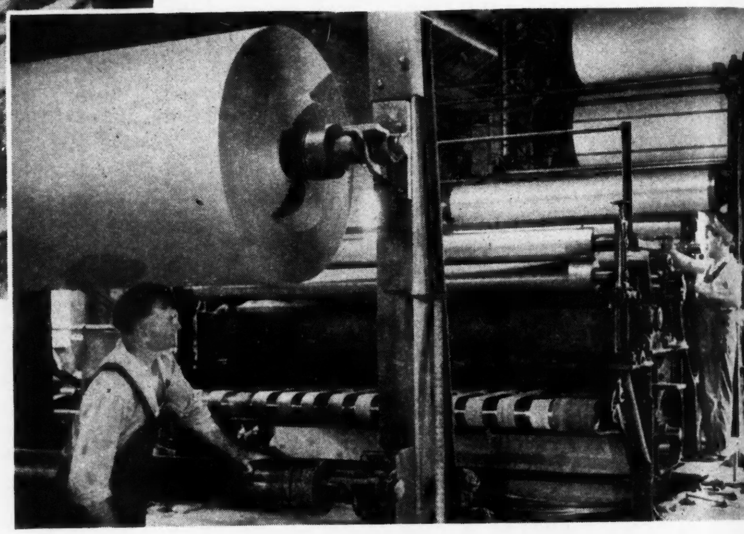


Photo by Press Association
The paper industry, normally troubled by excess capacity, is producing at full speed to fill supply shortages as heavy demand continues from users of all types

Will Paper Companies Hold Gains?



By JAMES M. GORDON

PRODUCERS OF NEWSPRINT, book papers, paperboard and related items are viewing 1947 prospects with optimism. During the next six months, anyway, it looks as if demand will continue to exceed supply, and if the present well sustained activity in general business suffers no important relapse in the last half, this industry should complete a highly satisfactory year.

The above statement may be considered conservative, to say the least, for current factors are far more favorable than they were last year at this time, and 1946 ended up with an all time record production of 19.2 millions tons of output, with demand still at a level which could have absorbed much more. With volume at peak levels and with earnings greatly benefitted by the elimination of excess profits taxes and price controls, net for most of the strong units in the industry tended sharply upward. Until such time as demand begins to slacken or competitive influences cause prices to soften, there seem to be no reasons why profits should fail to hold at least their last year's pace. Hence confident expressions voiced by different managements over the medium term outlook appear to have a solid base.

Although prewar experience showed that a considerable degree of over-capacity existed in this industry, business after war broke out in Europe took on a record spurt, so that in 1941 capacity was put to a rather severe test, although after Pearl Harbor, operational handicaps eased the situation until recently. In anticipation of the large postwar demand which has developed, however, a number of important concerns started expansion plans in 1946 which during 1947-48 should add more than 2 million tons to the industry's capacity. In some instances these additional facilities should become available in the current year, or begin to show their benefit by helping to expand volume here and there, not to mention net profits. It is thought that 1947 production may reach the record breaking total of 21 million tons of paper and paperboard and that unless something unforeseen occurs, industrial customers will buy most of it. If this should prove not to be the case, experts in the trade are confident that sales to foreign buyers can rather easily take up any slack which may develop. The United States now accounts for about 60% of the world's paper supply.

It must be remembered, also, that about a dozen of the larger and well integrated concerns, find a substantial market for woodpulp among producers of rayon in its multiple forms. As this latter division in the economy has one of the brightest outlooks for high level volume, its purchases of pulp on a large scale should lend additional support to the sales and profits of the pulp makers. As it happens, furthermore, wartime research has brought to light numerous new uses for paper products of various kinds. Strong shipping boxes lighter than wood are now carrying freight, moisture proof containers have found favor by processors of frozen foods, and multiple ply paper bags now have surprising endurance. Even twisted paper cord often displaces hemp

now. All of which enhances opportunities of the producers for diversification compared with prewar.

While an uptrend in prices for wood pulp has stimulated shipments of this material from Sweden, her available supplies are far from adequate to meet our needs, despite increased shipments from Canada and Newfoundland. For this reason, it is quite likely that a serious shortage of pulp during the first quarter may hamper operations of paper manufacturers dependent upon the open market for their supply, although the integrated concerns will not suffer in this respect. Certain chemicals used in paper making, also are in rather scant supply.

A continued broad demand for newsprint is indicated by reason of the increased advertising lineage likely to attend the opening of real competitive selling by all major branches of industry. Stocks of newsprint at the beginning of the year were at a low point, although total North American production last year established a new record of 5.2 million tons. This attests to the increasing demand for the material, despite a steady uptrend in prices. Our domestic mills last year produced only 770,000 tons, against 4.1 million tons by Canada and 362,000 by Newfoundland. International Paper Co. ranks as the largest integrated producer of newsprint, its immense timber holdings in Canada and the United States giving it a great advantage. This concern has made strides in late years to better its finances, through refinancing of both bonds and preferred stock at lower rates. Its volume in 1946 probably topped $275 million and if net earnings came to around $7 per share it would occasion no surprise. Great Northern Paper Co. also has strong finances and rates as the chief domestic producer of newsprint. The near term outlook for this concern is favorable. Crown Zellerbach on the Pacific Coast specializes in newsprint, (*Please turn to page* 633)

Position of Leading Paper Company Stocks

	In Dollars Per Common Share									
	1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1946 Net	1946 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
Champion Paper & Fibre... X	$ .70	$1.78	$1.24	$2.21(a)	$1.00	$26	20.9	3.8%	B1	Higher profits likely to feature 1947 reports. Dividend secure.
Container Corp. of America X	1.53	2.84	2.59	4.85Se9	3.40	46	17.7	7.4	B1	Tax relief and large demand causing sharp uptrend in earnings. Possibility of extra dividends.
Crown Zellerbach	1.53	2.30	2.37	1.89Oc6	1.10	31	13.1	3.5	C+1	Favorable outlook should bring increased earnings, aided by widening profit margins. Current dividend amply earned.
Gaylord Container X	.53	.55	.51	1.44Se9	.83 1/3	18	35.3	4.6	B1	Low cost production of bags, wrapping paper and containers a factor in stability of dividend.
Great Northern Paper.......	2.07	1.92	.90	1.61Se9	1.60	43	47.7	3.7	C+1	Market conditions brighten prospects for this leading newsprint producer. Earnings exceed dividends by substantial margin.
International Paper X	.10	3.07	2.10	5.78Se9	3.00	50	23.8	6.0	B1	Ample profits from large sales, aided by lower charges and senior dividends, enhance prospects.
Kimberly Clark .... W	1.53	1.85	1.66	2.04Se9	1.00	27	16.2	3.7	B1	Strong trade position and aggressive management favorable factors. Dividends on recently split stock may be increased.
Mead Corp. X	.79	1.46	1.06	2.54(b)	1.15	22	20.8	5.2	C+1	Demand for white paper supporting large volume. Earnings outlook bright. Some chance that disbursements become generous.
Rayonier X	1.02	1.03	.26	1.07Oc6	Nil	24	92.2	....	C+1	More favorable price situation should tend to expand profits, although earnings are still modest. Resumption of dividend possible.
St. Regis Paper........	.06	.45	.45	.85Se9	Nil	10½	23.4	....	C1	Diversification and enlarged facilities an aid to well maintained volume and earnings. Dividend status warrants confidence.
Scott Paper	2.21	2.16	1.87	1.37Se9	1.80	46	74.5	3.9	B2	Leading maker of toilet tissues and paper towels. Quarterly 45 cents dividend entirely safe.
Sutherland Paper	2.48	2.69	2.12	4.68	1.75	45	9.6*	3.9	B1	Outlook bright for sustaining net at 1946 record height. Increased dividends or extras quite likely.
Union Bag & Paper........ X	1.10	1.32	1.30	2.87Se9	1.30	33	25.4	3.9	B—1	Strong finances and established trade position favor prospects for continued uptrena in sales and profits. Extra dividends possible.
West Va. Pulp & Paper... W	.66	2.35	1.63	4.93	2.40	40	8.1*	6.0	B1	Outlook for 1947 bright. Much lower senior charges tend to bolster already expanding earnings. Dividend stability at least assured.

* Based on 1946 year net. (a) For 28 weeks ended November 10. (b) For 40 weeks ended October 5.
Se9—For 9 months ended September 30. Oc6—For 6 months ended October 31.

A LOOK AT The MOVIES
—FOR 1947

By GEORGE L. MERTON

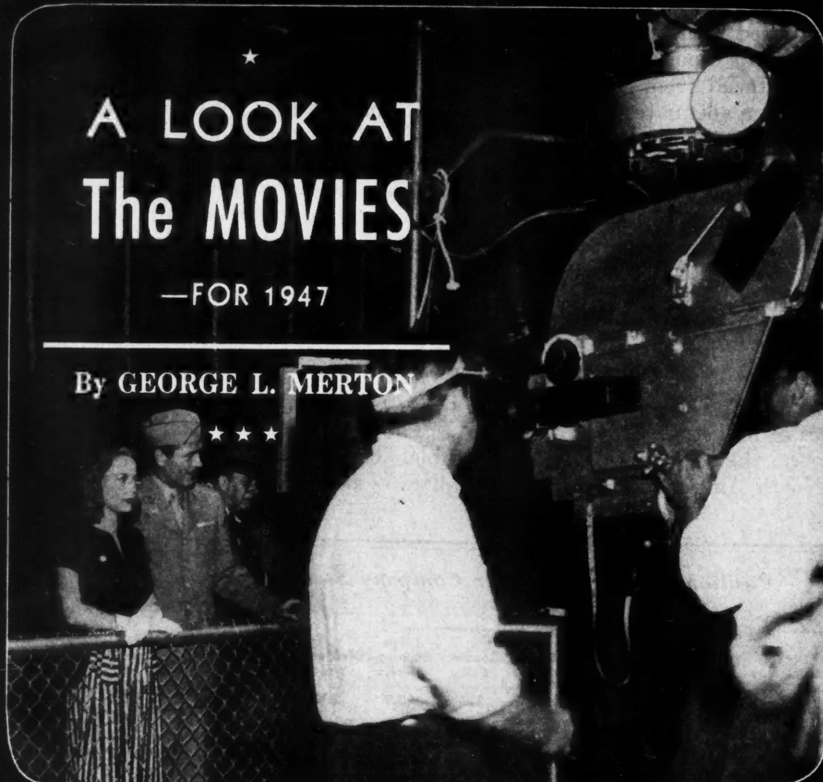


Photo by Metro-Goldwyn-Mayer

A good year looms ahead for the movie companies despite higher production costs

LAST YEAR was the greatest financial year in the history of the motion picture industry. The domestic box office receipts reached a new high of about $1,600 millions which was some 10% above the previous record, made in 1945. Wider profit margins and results of the repeal of the Excess Profits Tax, voted in the autumn of 1945, began at once to be reflected in company earnings—bringing 1946 net income to the highest level.

What brought about this bonanza for the movie producers and exhibitors? To begin with, national income was high and expenditures for movie admittances are a fairly stable percentage, year after year, of total consumer expenditures. In addition to having more cash to spend, there were other factors contributing to theater-going. Housing conditions are so bad that the cinema provided an emotional outlet from strains and limitations. Besides, when there are more persons for each living room—where else can a couple go?

With the war over, there is more leisure time to spend on entertainment and returned service men swelled the attendance. Interest in motion pictures is so great that it is unlikely that other forms of entertainment will change this habit — although when the supply of automobiles increases there will be more competition for the movies, especially during the warmer months.

Cautionary Note

Where may the movie companies find some limiting factors on income in 1947? Cautionary notes are to be found in the increased production costs. Last year trade estimates indicate that these were up about 25% over 1945. The huge number of revivals helped to reduce expenses in 1946 and many more are scheduled for the next twelve months. How well they will be accepted is open to question and early showings this year may prove a significant guide post for producers. In some quarters it is felt that the market for revival films has already approached the satiation point.

As higher cost pictures are released the heavier amortization charges will cause narrower margins. Knowing this, a beginning in reducing costs have been initiated by the largest Hollywood studio. Another indication, which may gain strength, is presentation of full-length pictures without big-name (and big money) stars. While the cyclical nature of the industry is present, it is offset in good part by the long term secular growth of motion picture revenue.

Last year jurisdictional strikes were a thorn in the side of producers. Taking their cue from the script writers the strikers dramatized their controversies by violence at times and succeeded in gaining wide publicity in the press of the nation. The gist of the argument is: Which of the producing elements should obtain a larger share, if any, of the melon—writers, producers, directors, stars or the army of production workers? While the question is still not fully solved, the prospect for 1947 is for less trouble of this nature but at some probable expense to the movie companies.

Financial Structures Sounder

The industry entered 1947 in a sounder fiscal position. Financial structures were improved during the war period and, in addition, increases were recorded in working capital. This continued last year to an equally important extent. For example, Paramount Pictures increased cash to about $33,000,000 and Warner Brothers Pictures materially reduced notes payable and increased their quarterly dividend by fifty per cent. Restrictions on building

checked the past tendency of movie chains to over-expand with elaborate houses. Probably opening of new cinemas will be kept within modest confines in 1947. From a long-term viewpoint this may prove to be a healthy condition, even though it may curtail current income growth over the short term.

American Movies Shown World-Wide

Progress in the foreign field since the end of the war has been satisfactory, despite quota restrictions which have contracted some markets. During 1946, an Anglo-American treaty eliminated double taxation, and film agreements were also obtained in France. Foreign film business now accounts for roughly 40% of gross, with 60% of this figure secured from the United Kingdom.

However, competition with motion picture production in Great Britain will be keener than in pre-war days, particularly with the expanding interests of J. Arthur Rank. It might be added, moreover, that the Big Five American motion picture companies have such large exhibition facilities that it is worth more to them to show British produced pictures than to make and exhibit them here. This is particularly true when labor troubles and high-cost production problems are involved.

Television a Potential Competitor

Recognizing that television is a coming competitor, most of the movie companies have acquired and may be expected to continue to secure interests in this field. Up to this writing there has been disappointment at the slowness of the development and general application of television about which great things were expected once the war was over. Widespread use of television sets is still a remote and undefined factor and we doubt whether it will have any effect upon company earnings this year or next, at the earliest.

Consent Decree

A final decree in the Government's nine-year old anti-trust suit against the Big Five motion picture companies — Loew's, Paramount, Twentieth Century Fox, R.K.O. and Warner that have important exhibition interests and the Little Three — Columbia, Universal and United Artists, was handed down December 31, 1946. The Court said certain trade practices must be changed by everybody. Pictures must be sold to the highest bidder taking into effect all factors to determine in the end whose was the highest bid. Will this change anything? Naturally, the highest bidder will continue to be the largest theater in a desirable section. No distributor should specify the admission prices the exhibitor could charge. This was recognized as an unhealthy situation, anyway. The various other changes will hurt the older people who know the business of booking pictures under the old system and make way for a (*Please turn to page* 637)

Financial Survey of Principal Motion Picture Producers

	In Dollars Per Common Share						Price		Invest-ment	
	1941-4 Avge. Net	1945 Net	1946 Net	1945 Dividend	1946 Dividend	Recent Price	Earnings Ratio	Dividend Yield	Rating	COMMENT
Columbia Pictures	$2.34	$2.95	$5.20	$ .33 1/3(a)	$1.00(a)	$22	4.2	4.5%	C+1	Continues to make progress, increasing its business. Management has sizable interest in shares. Higher dividend appears probable.
Loew's (W)	2.51	2.55	3.52	1.37½	1.50	26	7.4	5.8	B1	Large integrated company. Striving to reduce production costs; success would permit dividend increase.
Monogram Pictures	.26	.28	.52	Nil	Nil	5	9.6	....	C1	Small distributor likely to be hampered by Court decision. Dividend prospects poor.
Paramount Pictures (X)	1.87	2.05	4.51Se9	1.00	1.65	29	14.1	5.7	B1	Position of this producer and large distributor enhanced by good earnings gains and ample cash. Dividends, increased last year, may be further increased.
Radio-Keith-Orpheum (X)	.92	1.80	2.59Se9	Nil	.90	15	8.3	6.0	B—1	Likely continuation good level motion picture attendance should result ample coverage dividend and its possible increase.
Trans-Lux	.15	.31	....	Nil	.10	4	12.9	2.5	C2	Small unit showing principally newsreels has prospects steady earnings and dividend increase.
Twentieth-Century-Fox Film (X)	4.69	5.29	5.69Se9	2.50	4.00	37	7.0	10.8	B1	Appears more speculative than other Big Five companies. Shares, depressed to high yield basis, have recovery promise.
Universal Pictures	5.38	4.86	5.32	2.00	2.00	27	5.1	7.4	C+1	Earnings attained new high last year; but smaller output might limit domestic business. Good long-term prospects for 16mm and 8mm films in foreign field.
Warner Bros. Pictures	.95	1.34	2.62	Nil	1.12½	18	6.9	6.2	B1	Integrated company. Excellent prospects further substantial earnings which would be likely to lift dividends.

(a) Plus 2½% Stock. Se9—For 9 months ended September 30.

Opportunities...

for Income and Price Appreciation

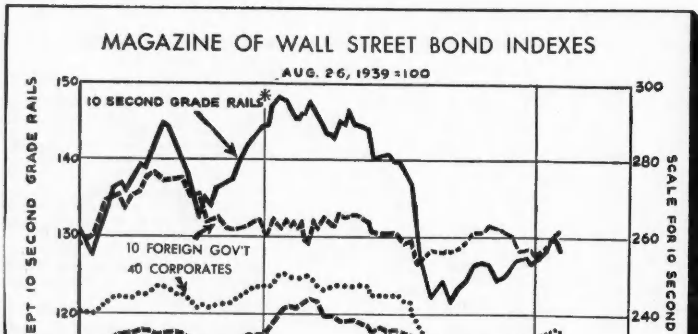
IN BONDS And PREFERRED STOCKS

By JACKSON D. NORWOOD

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On Feb. 8	On Feb. 15	
40 Domestic Corporates	118.0	117.9	— .1
10 High Grade Rails	113.9	114.0	+ .1
10 Second Grade Rails	259.7	257.4	—2.3
10 High Grade Utilities	98.7	98.6	— .1
10 High Grade Industrials	101.2	100.9	— .3
10 Foreign Governments	130.2	131.3	+1.1

It will be noted from the table that during the two weeks under review the prices for various groups of bonds showed divergent trends, as is usually the case of late, but with no really significant moves in either direction. In contrast to the previous period, however, the general tone was slightly on the weak side. Some market students attribute this to a reflection of unsettled conditions across the Atlantic, particularly in England, but it seems hardly necessary to scan the world for reasons which would affect such relatively small price changes in the bond market. The percentage changes in the prices for the various groups are often accounted for by the action of a single component which upon analysis has moved up or down to establish the overall average, or as is more frequently the case, mixed movements of several when combined establish a slight trend which is not truly indicative of the numerical majority.



For example, among the High Grade Rails a recent sale of Lake Shore 3s due 1970, while showing a gain of about 1½ points from the first of the year, was the first transaction in this issue for several weeks past. The dip in prices for the Second Grade Rails was just about what might have been expected during an interval when the stock market was slightly volatile on the down side. Since the first of the year, secondary obligations of the solvent railroads still show quite a net gain, although they have quite a way to go before equalling their price status of a year ago. The secondary liens of roads now in receivership or in process of reorganization rather naturally tend to take their price cues from their equally speculative brethren on the stock list. Volume of bond trading on the New York Stock Exchange has been establishing rather steady downtrends in recent weeks, totalling only $16.4 million for the week ending

February 15, against \$27.8 million in the previous week. Compared with 1946, total sales since the beginning of the year have been only \$173.2 million against \$262.1 million in the same peroid of last year. In nearly every division of the bond market, considerable inertia has developed, producing an uninteresting climate on the whole.

Among holders of foreign dollar bonds, the news that obligations of Axis nations are soon to be placed again on the trading list has created a little stir. Since the outbreak of war no transactions in these have been permitted. But when the first quotations on many of these appear, the prices are certain to shock most observers. Off hand it would take an optimistic speculator to risk any money in the purchase of defaulted bonds of the defeated countries. Some strength, however, has developed among other classes of foreign bonds during the past two weeks, highlighted by a gain of some 7 points for Brazilian 6s. Danish issues, too, have trended somewhat up in price.

Suggestions for Current Investment Funds

Bonds:	Recent Price	Call Price	Current Yield
Amer. & For. Pwr. Deb. 5's, 2030	\$108	\$107½	4.6%
Atlantic Coast Line Gen. 4½, 1964	108	N.C.	4.1
Boston & Albany R. R. Term. Imp. 4¼'s, '78	96	105	4.4
Missouri, Kan. & Tex. Ry. 1st 4's, '90	91	N.C.	4.4
N. Pacific Ref. & Imp. 5's, C. 2047	101	105*	4.9
Southern Pacific Deb. 4½'s, 1981	97	110	4.6
Texas & Pacific Ry. Gen. & Ref. 3⅞, '85	104	105½	3.6
Preferred Stocks:			
Assoc. Dry Goods \$7 2nd Pfd.	\$126	N.C.	5.6%
Baldwin Locomotive \$2.10 Pfd.	42	\$40	5.0
Barker Bros. 4½% (\$50 Par) Pfd.	51	55	4.4
Curtis Publishing \$4 Prior Pfd.	70	75	5.7
General Cigar 7% Cum. Pfd.	152	N.C.	4.6
Goodyear Tire & Rub. \$5 Cum. Cv. Pfd.	107	105	4.7
Pacific G. & E. 5½% Cum. 1st Pfd. (Par \$25)	38	N.C.	3.6
Radio Corp. of Amer. \$3.50 Cum. 1st Pfd.	79	100	4.4
Stokley-Van Camp \$1 Prior Pfd.	21	21	4.7
Union Pacific 4% Non-Cum. Pfd.	109	N.C.	3.7
Virginian Rwy. 6% Cum. Pfd. (Par \$25)	39	N.C.	3.9
Wheeling Steel \$5 Cum. Pr. Pfd.	100	100	5.0

N.C.—Not Callable. *Not prior to July 1, 1952.

WESTERN UNION TELEGRAPH COMPANY funding and real estate gold 4½s due 1950 have been arousing so much speculative interest of late that they seem to warrant some study. With a recent price around 86 and a 1946-47 price range of high—109, low—73, it is quite evident that many holders feel they are between the devil and the deep blue sea and are torn with natural uncertainties. The near due date, only a little more than three years away, stimulates anxiety over prompt payment of the issue when 1950 comes around, and quite obviously there is some concern over interest payments in the interim, in view of the company's sharp drop in earnings last year. Pricewise, these bonds have followed almost the same course as that of the 5s due 1951 and 1960. Small wonder that shareholders and bondholders alike experienced worries when the company was obliged to pay \$25 million in back wages at one time last year and after June 2, 1946 had to shoulder an annual burden of some \$23 million in increased wage costs. While 1946 was a turbulent year all around for Western Union, not until the full results for the year become available can any dependable appraisal of its current position and potentials be made. While for nine months ended September 30, 1946 net income available for payment of interest showed a deficit of \$5.5 million against interest requirements of about \$2.9 million, the \$4.6 million deficit incurred in the March quarter alone was substantially accountable. A 10% general boost in rates granted the company in June, followed by steps in the fall to establish uniform city-to-city rates clearly afforded some relief, and the FCC is still pondering over a plea for another 15% rise. The Commission has frankly stated that the first rate rise would solve the company's problems but believes that a thorough overhauling of the rate structure will be needed to restore earnings to a sound basis. Some little time may be required for this in view of the complex activities of the company through numerous subsidiaries operating on and under the ground, in the air and beneath the oceans.

Broadly viewed, it would seem implausible that the Government would permit any really serious financial difficulties to impede the progress of Western Union for long. In addition to the \$20 million 4½s due 1950, there are only \$60 million other bonds outstanding. Their combined totals compare very favorably with net depreciated physical assets alone of over \$200 million. The company's cash position at beginning of last year was plenty strong enough to stand the shock of paying the large back wages forced upon it. When 1946 net earnings are revealed for the full year, a large deficit will naturally be shown and working capital will be much reduced as against a year ago. But tax credits will probably absorb most of the operating losses attributable to the spring strike. On the whole, our advice to clients holding the bonds under discussion would be to retain them with the hope that their status will improve rather than retrogress as a result of readjustments of one kind now under study. Some degree of patience may be required but Western Union plays far too important a role in the international scene not to take its stand among other utilities now operating profitably and with broad plans for modernization.

ELECTRIC BOAT COMPANY \$2 cumulative convertible preferred stock, recently selling around 38½, and on previous occasions the subject of comment in our columns, has again invited study from evidence of aggressive management. Considerable significance is attached to the company's recently announced acquisition of all but a very few shares of Canadair, Ltd., involving an investment of \$2.5 million. Canadair manufactures a four-engine plane developed jointly by the (*Please turn to page* 634)

FOR

PROFIT AND INCOME

Confidence

The only certainty about the economic recession which the stock market anticipated in its sharp fall last autumn is that there is not yet any sign of it, so far as the composite business index is concerned. In most manufacturing lines production is rolling in high gear. Business men who felt a chill when the market tumbled, mostly feel chipper again now—partly because of subsequent market action, but mainly because of what they see in their own lines. They could be wrong on prospects for later in the year. Generally speaking, they have a poorer record on the matter of cyclical tops than do economists or analysts who take their cues from the market. But there is no denying that they are backing their confidence with dollars, and lots of them, right now. On the one hand, company expenditures for new plant and equipment continue on a very high level. On the other hand, the dividend changes continue to be preponderantly on the favorable side. The number of monthly increases and extras is running about 35% higher than a year ago. Whether we have a bull market is yet to be proven with conclusiveness, but there can be no debate about the fact that we have a bullish environment in earnings and dividends.

Low-Price Stocks

If there is to be an extension of the market's recovery phase (or a new bull market), low-price stocks are likely to come in for increasing attention, judging by the performance in recent weeks. A few which this column regards as speculations of above-average promise are Armour, American Radiator, American Power & Light, Houdaille-Hershey, Niagara Hudson Power, Cornel Dubilier, Decca Records.

New Financing

New equity financing still puts something of a curse on the issue affected, but less so than a few months ago. United States Gypsum was the last important stock to fall out of bed on announcement of an offering of rights, but has since recovered handsomely. In contrast, advance knowledge by insiders of new financing by Consolidated Natural Gas resulted in a quiet markdown of only 8 points or so, before the news was out, and the announcement had no further effect on the stock —at least not up to this writing. Actually, it can be argued that new capital financing has bullish implications (for the longer term, that is) in most cases. Management would not plan a major expansion if it were not confident that it will pay off. If you do not trust the judgement involved, you should not own the stock, much less subscribe to more. In the case of Consolidated Natural Gas, this outsider's verdict would be favorable. It is patent that consuming demand for natural gas is growing strongly, and that well-situated companies in this field will have to expand or see facilities swamped.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1946	1945
American News	Year Dec. 31	$5.02	$3.29
Artloom	Year Dec. 28	.72	.46
Belding Heminway	Year Dec. 31	2.46	1.42
Chickasha Cotton Oil	6 mos. Dec. 31	2.62	.31
General Baking	Year Dec. 28	2.09	.76
Hires, Charles E.	Dec. 31 quarter	.16	.01
Libbey-Owens-Ford Glass	Year Dec. 31	2.47	1.24
Marshall Field & Co.	Year Dec. 31	5.61	2.31
Pacific Mills	Year Dec. 31	11.99	2.52
Westinghouse Air Brake	Year Dec. 31	3.06	1.30

Contrast

In contrast, this department regards needed financing by the air transport companies with an ever more jaundiced eye. Rarely has a honeymoon in any industry collapsed so quickly. Only a few months ago the companies and CAB were proudly reducing rates and extending routes right and left. There were hurry-hurry demands for great new fleets of super-planes. Now some lines are justly yelling for higher rates and are not too sure that the railroads have a monopoly on the matter of periodic bankruptcies. As if to advertise the troubles, the chairman of CAB now suggests that perhaps some mergers are in order, and that maybe the lines should seek Government financing. To subordinate equity interests to any kind of senior financing, including bank loans, is bad enough for the run-of-the-mine stockholders. If it comes down to a proposition that the RFC will have to do the financing—because private lenders will not take the risk—the stockholders will be so far out on the limb that they might as well resignedly let go instead of waiting to be shaken off. Still, the prospect of strong long term traffic growth is there and some of the best-managed lines no doubt will be able to ride out the period of shake-down, mergers and bankruptcies. On the record, the outstanding company is Eastern Air Lines. This is by no means to hold that it is the only company that will come through, but merely to say it has the best chance of any.

Steel Boom

The steel industry is now very close to the absolute limit of producing capacity, and most companies are making money hand over fist—so much so that it is hard to see how they can fail to raise wages at least moderately and do so without a general price increase. The stocks are all more or less speculative, and tend to move pretty much as a group. But if you are right on trend, there is usually more percentage "play" in the lesser companies, although we endorse U. S. Steel as a leader. Leaders of the industry in size and prestige do not usually lead magnitude of market moves. On the latter score the leaders are such as American Rolling Mill, Republic Steel and Wheeling Steel. The last named is the subject of a special analysis elsewhere in this issue. Steels move more than the industrial average, both ways, but rarely move independent of it. If there is further market strength, steels will be a feature.

Rail Equipments

Most rail equipment makers have more orders booked than they can fill this year. Backlogs would be much bigger except that the railroads see no sense in placing business that will be "on paper" for months on end. Car makers, such as American Car & Foundry and Pullman, are under the most insistent pressure; but there is no lack of swollen volume in any branch of the industry. Even the staid Westinghouse Air Brake. which has paid unbroken dividends for many decades, has just reported net of $3.06 a share for 1946, against a measly $1.30 in 1945, and should do considerably better this year. It is the top-quality issue in the group and quite reasonably priced around 35. We have seen it sell much higher than that on much lower earning power than it now has. Why is the market so indifferent to booming earnings? Could it be uneasiness over the foreign outlook? Or the thought that the earnings will last only a year, or maybe only a couple of years? Or that Americans have come to regard any period of high industrial activity as abnormal, whereas in the good old days they considered only the depressions as unusual? This column does not know the answer. Anyway, it is in our Mr. A. T. Miller's province of market diagnosis.

Chemicals

The top chemical stocks have often sold as high as 20 times earnings, the medium-grade choices at about 16 times earnings. Now let's do some figuring. This column would estimate — although somewhat tentatively— that du Pont will earn around $12 a share this year, Union Carbide perhaps $8, Monsanto Chemical $3.25, American Cyanamid $3.50, and Hercules Powder $5.25. At 20 times earnings, du Pont would sell at 240, against 193 as this is written; Union Carbide at 160, against 98; Monsanto at 65 against 59. At 16 times earnings American Cyanamid would sell at 56, against 50 now; Hercules Powder at 80, against 61. Maybe present earnings are too good to last. So let's price them at 15 times for the "cream," and 12 times for the others. This works out to a price of 180 for du Pont, 120 for Union Carbide, about 49 for Monsanto, 42 for American Cyanamid and 63 for Hercules. Any way you figure it, Union Carbide appears to be by far the cheapest of the favored chemical group. In fact, it shapes up as an attractive long-term investment, in line for at least a $4 dividend before long, yielding over 4% on current price.

(*Please turn to page* 638)

DECLINES SHOWN IN RECENT EARNINGS REPORTS

		1946	1945
American Can	Year Dec. 31	$2.40	$4.23
Atlas Powder	Year Dec. 31	3.12	4.17
Commercial Credit	Year Dec. 31	2.15	2.40
Davison Chemical	6 mos. Dec. 31	.51	.67
Helme, George W.	Year Dec. 31	2.58	3.71
Noblitt-Sparks Industries	Year Dec. 31	2.26	2.85
Pacific Tel. & Tel. & Subs.	Year Dec. 31	6.04	6.78
Pennsylvania Water & Power	Year Dec. 31	4.73	5.07
Standard Steel Springs	Year Dec. 31	1.07	1.19
Western Electric	Year Dec. 31	1.64	2.52

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Textron, Inc.

Please report 1946 earnings and dividends of Textron, Inc.

V. A., Worcester, Mass.

Textron, Inc.'s consolidated net earnings for 1946 are estimated at over $6.00 a common share, according to the president of the company. This is in sharp contrast to net loss of $147,338 reported in 1945.

The estimated $6.00 a share profit is on the 1,010,932 shares of common stock outstanding, after provisions for dividends on the 200,000 shares of 5% cumulative convertible preferred stock outstanding and after eliminating minority interests in earnings of subsidiaries prior to acquisition of their stock. Profit margins in 1947 will probably be lower as competition intensifies.

Business was originally incorporated in April, 1928, as Franklin Rayon Corp., name changed to Atlantic Rayon Corp. March, 1939, and to present title May 16, 1944.

Business of company is processing synthetic yarns, chiefly rayon and manufacture and sale of finished textile consumer goods such as fabrics and plastic shower curtains and matching drapes, bedspreads, draperies, women's blouses, negligees, slips, hostess coats, travel coats, men's pajamas, shorts and sport shirts, etc.

Dividends paid on common stock in 1946 amounted to 50 cents a share.

Excellent earnings and conservative dividend policy have enabled company to reduce its outstanding bank loans, including those of Textron Southern, Inc. from about $17 million on September 1, 1946, to $7 million on December 31, 1946.

According to the president, Textron's major expansion program has been completed with the textile mill acquisitions in 1945 and 1946. "Emphasis during the current year will be on coordinating further the operations of the new plants into an integrated whole and the strengthening of the company's financial structure" he said.

It is understood that a subsidiary of Textron, Inc., will not sell its 97% ownership of the common stock of Nashua Mfg. Co., acquired at a cost of $10.5 million. Nashua is a large producer of blankets, sheets and other textile products, and was the subject of negotiations for possible sale in 1946.

Comment of "A Forgotten Man"

Concerning the Investor in private industry, it was with keen interest I read your article in the Feb 1st issue of Magazine of Wall Street, in which you rightfully termed him "The Forgotten Man."

In recent years during which private industry has been a political football burdened with excessive taxes, management and labor strife, all clamoring for more money, the Investor, the most important cog in the wheels of industry, is the one given the least consideration.

The Investor is a much misunderstood person, and I am inclined to think that the cause rests in the fact that his important role in our national economy has not been given enough necessary publicity by our newspaper publications, magazines, motion picture reels, radio commentators and etc.

Stock market operation is a business vitally necessary in our industrial set-up. Progress stems from business expansion and is nourished by it. Labor's very subsistence depends upon the free and unfettered flow of risk capital, the Stock Exchange being the Clearing House.

By risk or venture capital, the rank and file of people need to be educated as to what this means. It needs to be made clear that the Investor, many of whom are people in just modest circumstances, who by hard work and self-denial, have accumulated a small amout of capital and are willing to risk it in a stake in private industry which creates jobs for others. This being the case, why is not the Investor entitled to a fair and steady return on his investment, as labor to wages and management to salaries?

Let's give the Investor the credit just due him, as he is the one person who risks his dollars with no guarantee of return.

C. A., Logansport, Ind.

We thank you for your interesting letter. Of course, the investor is entitled to a fair return on his investment, as well as labor to wages and management to salaries, etc.

In important situations like union contract negotiations, etc., stockholder groups should be represented and make known their views.

Stockholders should be organized in a strong association so they will have equal economic and political power to offset pressure groups.

Grocery Store Products

Please furnish report on Grocery Store Products Co.

P. A., Sandusky, Ohio

This company was incorpor-

(*Please turn to page* 644)

Keeping Abreast of Industrial and Company News

The supreme test of ecoonmic stability during the current year will be the course of the price structure. Signs that a larger share of corporate profits will soon be passed on to the consumer in the way of lower prices are becoming manifest already and are likely to increase.

Among important manufacturers first to start the price ball rolling downward has been E. L. du Pont de Nemours, out with an announcement that prices for nylon will be reduced by 10%. Hence this major competitor of rayon products has paved the way towards lowering the cost of living.

No less significant is the announcement by Emerson Radio and Phonograph Corporation that the price of its most popular portable radio set henceforth will be $39.95, $10 below the former level and equal to a 20% cut. Competitors are said to be caught by surprise, and although they are keeping mum, doubtless must be sharpening their pencils.

Henry Ford II, whose company was a leader in slicing the price of automobiles not long ago, most wisely is urging managements all along the line to educate the workers and the general public alike as to how free enterprise can function by a fair division of profits with consumers and labor. Mr. Ford's suggestion is highly commendable, for ignorance on the subject causes a lot of needless trouble.

Directors of Johns-Manville Corporation have called a stockholders meeting for May 9 to aprove a 3 for 1 stock split-up. Lewis H. Brown, chairman of the board, explains the proposal as designed to broaden the market for the company's stock and to increase the public interest in its affairs.

In reporting a 100% increase in the volume of receivables acquired during 1946 against 1945 by C.I.T. Financial Corporation, president Arthur O. Dietz predicts a continued uptrend in instalment financing as consumers with moderate income find they must use credit to offset high prices for much wanted goods.

Announcement that union leaders and managements in the oil industry have agreed upon wage terms comes as a heartening sign that labor strife in the current year may lose its blight upon all out production in other major industries. This settlement could be a forerunner of others.

On March 15 the Treasury Department will retire another large amount of Government bonds, this time approximately $1.9 billion of Series B bonds. Coming right on the heels of still another $1 billion pay off, this evidence of soundness in the Nation's financial structure is most constructive.

Supplementing our special study of the paper industry presented in the current number of the Magazine, comes further interesting news concerning West Virginia Pulp and Paper Co. This company's sales and profits for the quarter ended January 31, 1947, first in its new fiscal year, continued the uptrend so well started last year.

Sales for this quarter topped $20 million, compared with relative figures of $16.8 milion in 1946, resulting in net earnings equal to $2.45 per share against $1.23 in the same period last year. David L. Luke Jr., president of West Virginia, feels confident that the paper industry has a firmer foundation than at any time in the past 20 years.

The new products that can be made from petroleum and natural gas "stagger the imagination", Robert P. Russell, president of the Standard Oil Development Company, recently stated. Synthetic soaps of fine quality, new types of resin for wrapping perishable fods, effective fungicides and insecticides, and synthetic gasoline he cites as a few examples.

With the weekly rate of production of steel ingots now steadily moving to a level above 94% of rated capacity, the steel industry is forging ahead with new peacetime records. This promises well for all the numerous makers of durables throughout the country as well as for the steel producers themselves, not to mention customers in foreign lands.

The War Assets Administration, hard pressed by many critics, is pointing with pride to its successful efforts to rid itsself of surplus aluminum plants. More than half of facilities which cost the Government $651 million have now been passed to private hands, mostly on a lease basis. But plants sold have brought $28.5 million against an original cost of about $79 million.

Chain stores and mail order houses have made strides in capturing a substantial portion of the Nation's retailing business, according to the Department of Commerce. Their combined volume in 1946 amounted to $21 billion compared with $16 billion in 1945, in round figures. But allowance must be accorded for the general rise in prices.

Tires carrying record breaking pressure have been developed by the B. F. Goodrich Company for the new D-558 "trans-sonic" plan which is expected to travel faster than sound. When the tires are pumped up they will withstand a pressure equal to 175 pounds per square inch.

Each tenant in a new 789-home development in Boston will be able to regulate the temperature in his own apartment by the flick of the finger. Thermostats provided by Minneapolis-Honeywell Regulator Co. are to be installed under a program to provide personalized heating.

Confidence that drilling for oil will be continued on an unprecedented scale and for a long time to come is shown by the nearly completed expansion plans of Hughes Tool Co. In Houston, Texas, this concern will soon have in operation new facilities built at a cost of around $3 million.

Four important makers of railroad cars will swell their backlog orders as a result of a recent contract entered into with Baltimore & Ohio R.R. 4000 steel hopper cars are to be built for this carrier and deliveries are expected to begin by July. ACF, Bethlehem, Ralston Steel and Pressed Steel Car are to get the business.

In reporting a 1946 loss for the first time in a century the Pennsylvania Railroad's president M. W. Clement quite rightly squirms under Government regulations which would cause such poor results at a time when freight revenues promise to exceed those of any previous peacetime year.

New York City's 400 new subway cars, now on order, will provide a new form of lighting for its struggling newspaper readers. Sylvania Electric Products, Inc., will install fluorescent lamps and auxiliary operating equipment in all of these cars. About a year will pass before the cars are in operation.

The BUSINESS ANALYST

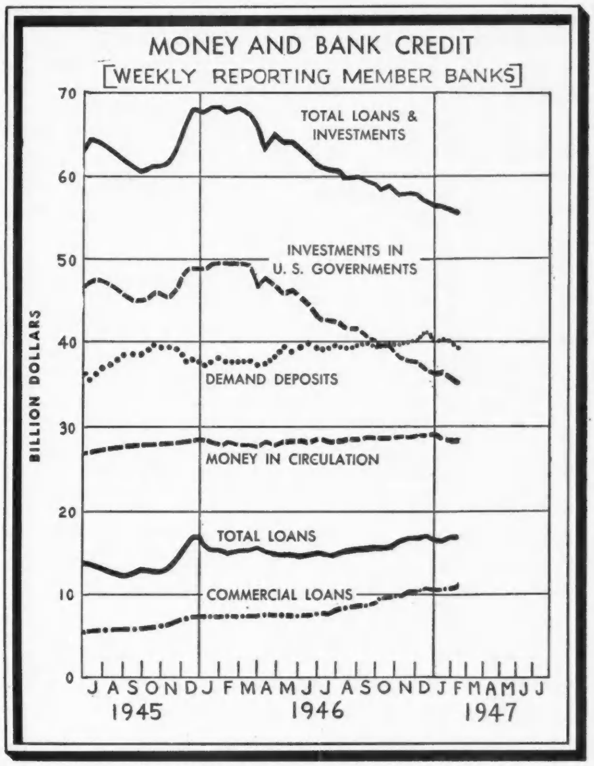
SUMMARY

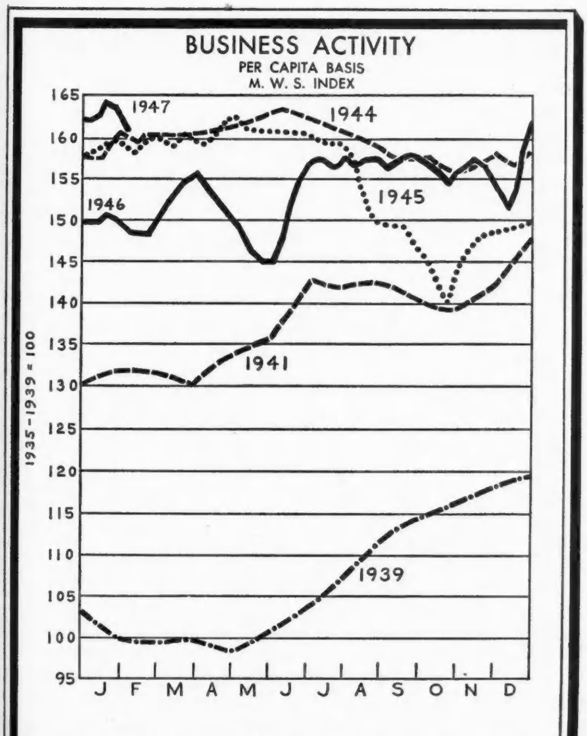
MONEY AND CREDIT—Treasury will redeem in cash, on March 1, an additional $1 billion of 7/8% debt certificates, making a total of $25.4 billion redeemed in cash since March 1, 1946. Foreign credits extended by the U. S. Government in the current fiscal year will total $10 billion, $3.3 billion more than in fiscal '46.

TRADE—Department store sales have fallen off in past few weeks—partly from inclement weather, and partly due to rising demand and supply in durable goods section. Commerce Department expects exports to reach $11 billion this year, against $10 billion last year, with excess of exports over imports amounting to about $5 billion in both years.

INDUSTRY—Wintry weather was mainly responsible for 2% drop in business activity during the fortnight ended Feb. 8, to a level 9½% above last year. No major business depression probable here so long as our exports continue at a high level.

COMMODITIES—Spot and futures prices continue to advance despite ill-founded predictions of deflation. M. W. S. index of raw materials spot prices at new high since its inception in 1932. Building material prices top 1920 peak. Compared with a year ago, wholesale prices are up 30%, retail prices 20% and living cost 18%.





Cold weather was probably mainly responsible for contraction of about 2% in the Nation's physical volume of **Business Activity** during the fortnight ended Feb. 8, to a level 9½% above last year at this time. This publication's business index rose in January to 178.7% of the 1935-9 average—7.2 points above December and 10% ahead of January, 1946. On a per capita basis, the index in January was 163.4% of the 1935-9 average, compared with 156.7 in December and 150.0 in January of last year.

* * *

Unemployment in early January was 280,000 larger than a month earlier; but the increase, due chiefly to a customary reduction in retail trade help following the holiday shopping rush, was somewhat less than at the like season last year.

* * *

New Construction in progress during January was valued at $847 million—78% above the previous January, despite the handicap of building material prices which have now topped the 1920 peak. Privately financed housing under construction in January totaled $275 million.

* * *

Factories in several industrial areas have had to lay off workers during the past fortnight, owing to shortages of natural gas occasioned by abnormally heavy demand for home heating; and bituminous coal production has

(Please turn to following page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	Feb. 12	0.37	0.39	0.68	0.43
Cumulative from Mid-1940	Feb. 12	349.6	349.2	327.8	14.3
FEDERAL GROSS DEBT—$b	Feb. 12	259.1	258.9	278.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Feb. 12	39.1	39.4	37.5	24.3
Currency in Circulation	Feb. 12	28.3	28.3	28.0	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Feb. 12	7.34	7.41	7.72	3.92
100 Other Cities—$b	Feb. 12	9.56	9.65	8.49	5.57
INCOME PAYMENTS—$b (cd)	Dec.	15.29	14.20	14.27	8.11
Salaries & Wages (cd)	Dec.	9.32	9.21	8.52	5.56
Interest & Dividends (cd)	Dec.	2.40	0.59	2.06	0.55
Farm Marketing Income (ag)	Dec.	2.49	2.92	1.89	1.21
Includ'g Govt. Payments (ag)	Dec.	2.51	2.93	1.91	1.28
CIVILIAN EMPLOYMENT (cb) m	Jan.	56.0	56.3	51.0	52.6
Agricultural Employment (cb)	Jan.	6.5	7.2	6.7	8.9
Employees, Manufacturing (lb)	Dec.	15.0	15.0	13.1	13.8
Employees, Government (lb)	Dec.	5.4	5.3	4.9	4.6
UNEMPLOYMENT (cb) m	Jan.	2.4	2.1	2.3	3.4
FACTORY EMPLOYMENT (lb4)	Nov.	149	147	128	147
Durable Goods	Nov.	172	169	144	175
Non-Durable Goods	Nov.	131	129	116	123
FACTORY PAYROLLS (lb4)	Nov.	291	286	223	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Dec.	40.9	40.2	41.5	40.3
Hourly Wage (cents)	Dec.	114.4	113.9	99.4	78.1
Weekly Wage ($)	Dec.	46.83	45.74	41.21	31.79
PRICES—Wholesale (lb2)	Feb. 8	141.7	140.3	107.1	92.2
Retail (cdlb)	Dec.	172.7	171.5	143.1	116.2
COST OF LIVING (lb3)	Dec.	153.3	152.2	129.9	110.2
Food	Dec.	185.9	187.7	141.4	113.1
Clothing	Dec.	176.5	171.0	149.4	113.8
Rent	Dec.	109.0	109.0	108.3	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Dec.	10.28	9.08	8.49	4.72
Durable Goods	Dec.	2.05	1.85	1.32	1.14
Non-Durable Goods	Dec.	8.23	7.23	7.17	3.58
Dep't Store Sales (mrb)	Dec.	1.20	0.91	0.96	0.40
Retail Sales Credit, End Mo. (rb2)	Dec.	4.60	4.22	2.88	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Nov.	233	227	183	181
Durable Goods	Nov.	258	249	171	221
Non-Durable Goods	Nov.	218	214	191	157
Shipments (cd2)—Total	Nov.	269	244	202	184
Durable Goods	Nov.	280	263	200	223
Non-Durable Goods	Nov.	262	231	204	158
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Nov.	35.1	34.0	27.6	26.7
Manufacturers'	Nov.	19.9	19.6	16.6	15.2
Wholesalers'	Nov.	5.7	5.3	4.2	4.3
Retailers'	Nov.	9.5	9.1	6.8	7.2
Dept. Store Stocks (mrb)	Nov.	2.2	2.1	1.4	1.4

PRESENT POSITION AND OUTLOOK

(Continued from page 629)

been reduced by a wild-cat strike at one of the Southern mines.

* * *

Cash **Dividends** paid in November were 15.9% more than for the like month in 1945. Cumulative total for 11 months was $3,384 million—9.3% ahead of the $3,097 million disbursed in the first 11 months of 1945.

* * *

Viscount Bruce of Australia, reporting to the Economic and Employment Commission of the United Nations, declared recently that the official representatives of 17 Governments have agreed that, when re-stocking and re-equipment are completed, we may plunge into a greater economic disaster than that of 1929-32.

* * *

Unfilled requirements for world-wide **Reconstruction** are still so great, however that we are in no imminent danger of this; but the forecast will be fulfilled sooner or later unless measures are taken to smooth out the business cycle by stabilizing the rate of capital formation.

* * *

During the 19-year period, 1923-41, corporations provided $50.2 billion of their capital needs out of **Retained Income,** and $17.9 billion through sale of equity securities. Retained income during the period averaged 33.5% of net income (46% in other than depression years). Treasury regulations now penalize retention of more than 30% of earnings, while earnings paid out as dividends are taxed heavily to the individual—the so-called **"Double Taxation."** Our tax laws shoul be revised to favor, not discourage, **Capital Formation**—especially during depression years.

* * *

Retail Store Sales in December were valued at about $10.3 billion—20% more than a year earlier. Sales for calendar 1946 totaled $97 billion. Fourth quarter sales were $28 billion, including $22 billion of non-durables which was 17% larger than for the final quarter of 1945, and $6 billion of durable goods—up 60%. As was expected, consumers are now spending more for durables, and consequently less for non-durables with which they are pretty well supplied for the present.

* * *

Diversion of expenditures from non-durable into durable goods lines is partly responsible, along with the winter cold snap, for a rather sharp drop in **Department Store Sales** over the past few weeks. For the week ended Feb. 8 they were still 2% above last year in value, but were off at least 20% on a unit quantity basis. In

Production and Transportation

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	Feb. 8	160.8	163.4	148.3	141.8
(M. W. S.)—I—np	Feb. 8	175.9	178.7	160.9	146.5
INDUSTRIAL PROD. (rb)—I—np	Dec.	179	182	163	174
Mining	Dec.	136	136	133	133
Durable Goods, Mfr.	Dec.	209	213	185	215
Non-Durable Goods, Mfr.	Dec.	168	172	156	141
CARLOADINGS—t—Total	Feb. 8	767	835	713	833
Manufactures & Miscellaneous	Feb. 8	346	374	288	379
Mdse. L. C. L.	Feb. 8	113	119	120	156
Grain	Feb. 8	47	54	51	43
ELEC. POWER Output (Kw.H.) m	Feb. 8	4,801	4,777	3,983	3,267
SOFT COAL, Prod. (st) m	Feb. 8	12.3	13.8	12.5	10.8
Cumulative from Jan. 1	Feb. 8	73.1	70.8	70.7	446
Stocks, End Mo.	Dec.	47.1	52.4	45.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 8	4.8	4.6	4.7	4.1
Gasoline Stocks	Feb. 8	102	101	104	88
Fuel Oil Stocks	Feb. 8	48	48	35	94
Heating Oil Stocks	Feb. 8	45	48	28	55
LUMBER, Prod. (bd. ft.) m	Feb. 8	430	415	366	632
Stocks, End. Mo. (bd. ft.) b	Nov.	4.5	4.4	3.8	12.6
STEEL INGOT PROD. (st.) m	Jan.	7.23	5.76	3.87	6.96
Cumulative from Jan. 1	Jan.	7.23	69.2	3.87	74.7
ENGINEERING CONSTRUCTION AWARDS (en) $m	Feb. 13	55	112	44	94
Cumulative from Jan. 1	Feb. 13	597	543	449	5,692
MISCELLANEOUS					
Paperboard, New Orders (st) t	Feb. 8	202	204	169	165
Hosiery Production (pairs) m	Nov.	160	174	137	150
Footwear Production (pairs) m	Nov.	40.9	47.5	41.7	34.8
Cigarettes, Domestic Sales—b	Dec.	22.7	27.7	16.1	17.1
Whiskey, Dom. Sales (tax gals.)	Nov.	7.8	9.3	10.4	11.8
Machine Tool Shipments—sm	Dec.	27.6	26.2	23.3	76.4

PRESENT POSITION AND OUTLOOK

New York City, the increase over last year in dollar total slipped from 20% in the week ended Jan. 18, to 18% for the Jan. 25 week, down to 13% the following week and then down to only 2% for the week ended Feb. 8.

* * *

Gloomy minded forecasters will see the beginning of a business slump in this retail sales slip, failing to note that there never has been an important business depression while demand for durable goods exceeded the supply. Practical minded folks know that, even if the family is well stocked with soft goods at present, they will have to be replenished before long, and that women's fashions have a way of changing just as hubby relaxes under the comforting thought that his better half is well supplied with clothing. We can safely dismiss the fear of a major business depression until the world is well re-stocked with hard goods, or until foreign countries run out of dollars to buy things from us.

* * *

Huge **Foreign Credits** to which the Government is committed will serve as a powerful stimulant to domestic prosperity over the next few years. They will total about $10 billion for the current fiscal year—$3.3 billion more than in the 1945-6 fiscal year. Prior to the 1929-32 crash we had virtually stopped lending to foreign nations.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Streeet, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

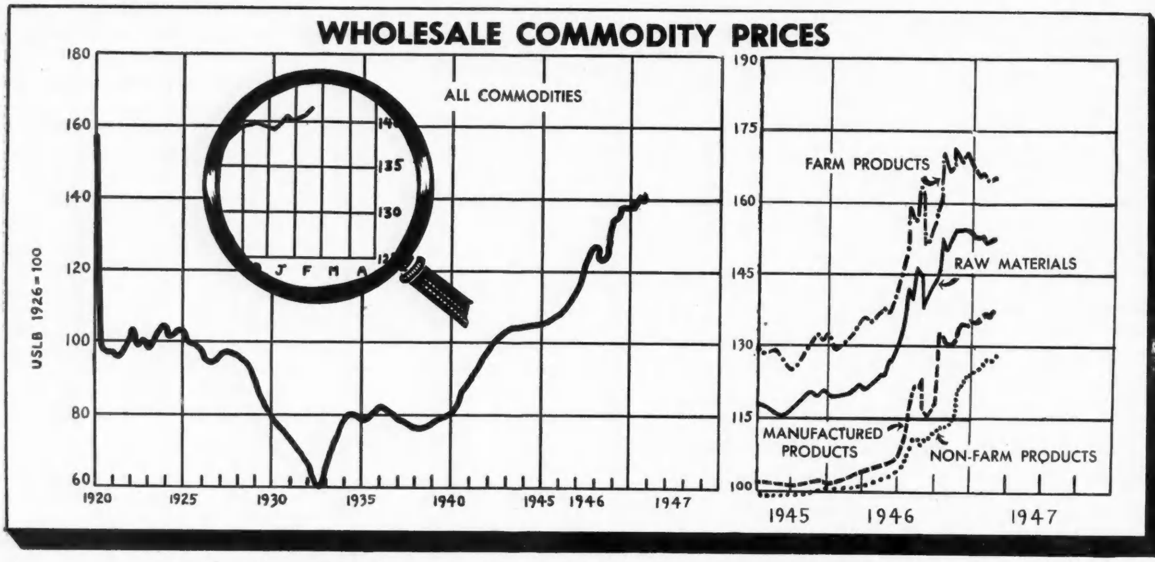
No. of Issues (1925 Close—100)	1947 Indexes High	Low	Feb. 8	Feb. 15
304 COMBINED AVERAGE	148.8	133.5	148.8	145.3
4 Agricultural Implements	188.0	159.2	188.0	181.9
11 Aircraft (1927 Cl.—100)	165.3	151.1	165.3	162.1
6 Air Lines (1934 Cl.—100)	610.3	545.7	610.3	598.2
6 Amusement	146.0	128.5	146.0	144.3
14 Automobile Accessories	237.4	198.7	237.4	232.7
11 Automobiles	42.8	34.7	42.8	41.5
3 Baking (1926 Cl.—100)	24.1	22.2	24.1	24.1
3 Business Machines	301.6	270.9	301.6	296.1
2 Bus Lines (1926 Cl.—100)	175.0	159.2	175.0	164.4
4 Chemicals	245.6	218.4	245.6	242.8
2 Coal Mining	20.1	17.8	19.1	20.1
4 Communication	58.3	51.7	58.3	57.0
13 Construction	66.5	60.7	66.5	65.6
7 Containers	371.5	337.9	371.5	362.0
8 Copper & Brass	113.9	105.8	113.9	112.9
2 Dairy Products	69.7	59.0	63.3	62.7
5 Department Stores	78.6	70.2	78.6	75.7
5 Drugs & Toilet Articles	223.2	206.2	213.5	211.0
2 Finance Companies	255.8	242.5	255.8	251.6
7 Food Brands	190.4	179.4	188.7	190.4
2 Food Stores	73.0	68.5	71.8	71.7
3 Furniture	93.9	84.2	93.9	89.2
3 Gold Mining	882.7	760.6	882.7	846.8

(Nov. 14, 1936, Cl.—100)	High	Low	Feb. 8	Feb. 15
100 HIGH PRICED STOCKS	89.87	84.15	89.87	88.01
100 LOW PRICED STOCKS	183.14	158.08	183.14	178.98
6 Investment Trusts	62.8	56.5	62.8	61.3
3 Liquor (1927 Cl.—100)	933.6	778.5	870.9	862.6
8 Machinery	159.4	143.1	159.4	155.7
3 Mail Order	129.5	115.3	129.5	123.2
3 Meat Packing	108.7	102.9	108.7	106.7
13 Metals, non-Ferrous	196.7	182.0	196.7	194.0
3 Paper	39.6	36.5	39.6	39.2
23 Petroleum	191.0	176.2	191.0	185.9
20 Public Utilities	134.3	123.2	134.3	131.2
5 Radio (1927 Cl.—100)	23.2	18.9	23.2	22.5
8 Railroad Equipment	80.6	69.6	80.6	79.5
23 Railroads	27.2	22.6	27.2	26.4
3 Realty	32.9	25.6	32.0	32.9
2 Shipbuilding	114.4	104.0	113.4	114.4
3 Soft Drinks	552.2	482.7	549.3	552.2
13 Steel & Iron	121.1	108.7	121.1	119.1
3 Sugar	68.2	62.3	65.9	63.9
2 Sulphur	253.8	241.2	253.8	247.5
3 Textiles	128.5r	104.8r	127.6	128.5
3 Tires & Rubber	39.9	36.6	39.9	39.1
6 Tobacco	87.4	83.8	86.1	83.5
2 Variety Stores	342.5	310.2	342.5	335.0
19 Unclass. (1946 Cl.—100)	108.5	97.5	108.5	105.9

r—Revised.

Trend of Commodities

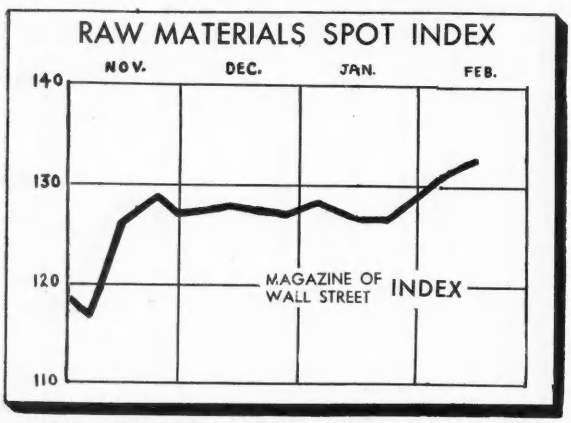
Continued strength in commodities markets confounds the prophets of economic disaster who have been flooding the press and radio with warnings of deflation and business collapse. Futures have risen to a new high for the year and the M. W. S. index of raw materials spot prices has established a new high since its inception in 1932. Immediate sources of strength are heavy Government purchases for export and a box car shortage which prevents commodities from moving to market fast enough to supply both foreign and domestic demand. The resulting unbalance between stocks at terminal markets and on farms is responsible for an abnormally wide spread between near and distant futures. In wheat, for example, the price for September delivery is 21% lower than the March option, for oats the discount is 22%, for rye 26%, cotton 17%. Normally, distant months should be above nearby options to compensate for shortage charges. In corn, however, the September option is selling at a discount of only 4% below the March option—partly because a large part of this crop is consumed on or near the farms and is thus hampered by fewer transportation difficulties. In face of persistently rising prices, gloomy forecasters have been, and still are, pointing to this wide spread as positive proof that prices will collapse later. Of course one thing is certain—sooner or later distant futures will command a premium over spot prices instead of selling at a large discount. This does not necessarily mean a collapse in cash prices. It could be accomplished by a sharp rise in futures. All depends upon home and export demand.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

	Date Feb.15	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
18 Basic Commodities	310.9	305.6	302.6	293.1	241.0	183.3	156.9
11 Import Commodities	283.3	286.3	286.4	284.7	221.3	169.0	157.5
17 Domestic Commodities..	330.3	318.8	313.5	298.6	254.7	193.2	156.6

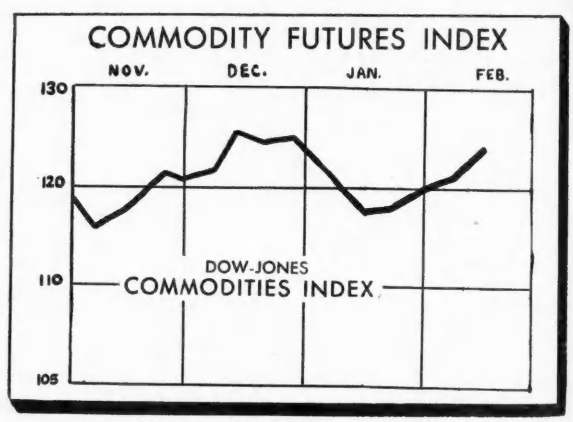
	Date Feb.15	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agriculture	318.1	306.6	315.2	310.6	310.7	224.7	163.9
12 Foodstuffs	379.9	364.2	362.3	366.7	301.5	208.4	169.2
16 Raw Industrials	267.3	267.7	264.1	242.5	203.5	166.4	148.2



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1947	1946	1945	1943	1941	1939	1938	1937
High	132.5	128.8	95.8	92.9	85.7	78.3	65.8	93.8
Low	126.4	95.8	93.6	89.3	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1947	1946	1945	1943	1941	1939	1938	1937
High	125.29	127.07	106.41	96.57	84.60	64.67	54.95	82.44
Low	117.14	104.21	93.90	88.45	55.45	46.59	45.03	52.03

Will Paper Companies Hold Gains?

(*Continued from page 619*)

coarse paper and kraft.

Champion Paper & Fibre Co. ranks high as a producer of white and book paper, currently in strong demand. Volume gains of this concern have been aided by expanded facilities. Mead Corporation, also, has been very successful in the white paper field, doing an annual business of around $50 million. Profit potentials for both of these companies in 1947 are exceptionally bright. St. Regis Paper Co. goes in heavily for printing paper, multiwall paper and Kraft-pulp. Sales and profits have trended upward because of a strong trade position, additional facilities and a firm price situation. The largest and one of the strongest makers of white paper is West Virginia Pulp & Paper Co., with current earnings near peak levels. The world's largest producer of paper bags is Union Bag and Paper Co., supplying about one fifth of the domestic requirements. Annual sales run close to $45 million. This concern has spent large sums upon new facilities and has plans for still more, especially in the South where both wood and labor are plentiful. As for shipping containers, paperboard and corrugated material, both National Container and Gaylord Container are well integrated, are strongly entrenched in the trade and are doing a fine business, with expanding sales and net earnings.

1947 Outlook Rosy

It will be noted from reading the above that practically all branches of the paper industry are enjoying prosperity on a scale seldom witnessed in the past, and with a good chance that the peak of their cycle has not yet been reached. It must be pointed out, however, that this industry, like many others, is sensitive to changes which occur in the level of national income, so that sooner or later, when supply catches up with demand, the impact of softening prices may change the current rosy outlook. But as far as 1947 is concerned, more liberal treatment of stockholders is probable by many of the major units in the industry.

Revaluing the Liquors

(*Continued from page 617*)

Additionally, Washington requires every bottler of whiskey to state on the label whether the neutral spirits are made from grain or potatoes although, as said, they are the same in taste and quality. But since some consumers wrongly assume that potatoes are a poor substitute for the traditional grain content to which they have been long accustomed, their use by the distillers has sometimes proven a handicap in selling. Hence, bad thinking all along the line has prevented one manner in which both whiskey costs and prices might be lowered, aside from enforcing pressure for grain much needed by a hungry world.

At the level of distribution, the distillers have some worries to ponder over. As it happens, some 40% of the GIs who have gone in for a retail business of their own, have chosen to open liquor stores. In New York State alone last year licenses were granted to more than 600 retailers in this field, aside from a large number of new drinking places. As all over the country a similar trend has taken shape, to stock all of them has stimulated sales for nearly all of the important producers of various liquors. In recent months, due to the wrong assumption that excise taxes were to be removed, fear or expectation of lower prices caused a rather serious trend to unload at cut prices, especially where lesser known brands were concerned. True, there are Fair Trade Practice laws to forbid such policies but they are loosely enforced. More importantly perhaps, the public, too, has become price conscious as well as increasingly selective in

purchases. All of which adds up to a probability that the distillers are going to experience difficulty in meeting pressure from both distributors and the public for lower prices in the near term. To support this premise, Scotch whiskeys and choice foreign wines can now be bought at a sharp discount from prices readily obtained only a few months ago. In short, both psychology and competition have begun to throw their weight around to an extent which may adversely affect near term earnings potentials of the producers, although relatively speaking their business should continue on an above-average basis. The financial condition of most of the large concerns is in record good shape, and many of them have implemented plans for diversification which should aid substantially in stabilizing profits.

The outlook for brewers holds much of promise, as relative stability is characteristic of this segment of the economy. No ageing is required for beer or ale and labor costs constitute only a small factor in over-all outlays. Competition, as always, will continue to transcend all other handicaps which impinge upon net earnings in this field. Now that the ten cent glass has successfully superseded the old nickel big drink, and that excess profits taxes have been eliminated, profits of the brewers should continue to prove satisfactory during most years.

Weighing Potentials in the Motors

(*Continued from page* 610)

There is a class of consumers, apparently of sizeable proportions, that plans to await the third or fourth year of postwar production to buy, as these people calculate that they will get better made cars with more attractive features. Presence of this class of prospective buyers should result in a sustained demand for motor vehicles beyond the substantial demand of immediate buyers, indicated in the following quotation.

During the week before February 13, a survey was made in which 43 Detroit automobile dealers were asked when they could deliver a new car of a certain make. The shortest delivery date promised by any of the Ford, Chevrolet or Plymouth dealers was four months. The average was 6 to 8 months.

The material supply situation although tight in several categories has some prospect of easing. In steel, flat-rolled products and wire products are tight, but the industry's operating rate is the highest in peacetime history, which combined with the absence of strike dangers provides an opportunity to re-establish normalcy, subject, however, to completion of additional flat-rolled steel capacity scheduled for next summer. Higher prices recently quoted for cooper and lead are increasing the supplies and gradually easing the shortages of these metals. However, there is talk in the metal trade of the possibility of a further price increase, particularly in copper, before rising mine output and imports balance supply and demand.

Outlook Is Promising

As stated in the January 18, 1947, issue of "The Magazine of Wall Street" in connection with selecting Chrysler as one of the ten market leaders for 1947, the automobile industry enjoys above-average prospects for good business during the current year. Chrysler was a profitable sample. We also endorse General Motors for the excellent outlook in its motor and diversified fields. Restoration of the 75 cent quarterly dividend rate indicates confidence of its directors in the outlook for this year. The estimated earnings equal to $1.35 in the fourth 1946 quarter show that the profit margin has been restored.

Kaiser-Frazer was not included in the table for want of background information. The company recently obtained a bank credit up to $12 million. Its production increased in January, 1947, to 7,143 cars again, 4,089 in the best previous month. The car is priced nearly 50% above the level of the Big Three rendering the outlook for large volume somewhat uncertain even though a tremendous backlog of orders was reported in January.

By reason of the fact that the public was not able to buy cars for four years, the demand absorbs cars even at the current increased prices. At the same time, a favorable long-term aspect is that prices ultimately should be moderately reduced. Possible price reductions, if effected, would further widen the demand. A nearer prospect is that some company or companies may see fit to bring out low-priced models. They would not, of course, have all of the gadgets that are added to the current models but would be cars for which a large segment of the public is waiting.

In addition to over five million cars and trucks that have been junked since 1942 when registrations were about 27,750,000 units, it should be stressed that about 12 million of the cars in service today are estimated to be over eight years old. It had been assumed in the industry that the life of a car was but seven years. Replacement of these old cars represents a tremendous market. People conserve their cars and spend money on these older units and therefore provide an interesting factor in the long-term demand. The increasing capacity represented by plants to be completed this year should raise the potential annual output to above 6,000,000 units.

Opportunities for Income and Appreciation

(*Continued from page* 623)

Canadian Government and Douglas Aircraft Co., and has been reconverting various military aircraft for their owners. This move by Electric Boat marks a further step in the way of diversification, and one that obviously promises well for a near term expansion in profits. Coming on the heels of the company's announced intentions to form a printing machinery division only a few months ago, this new utilization of working capital piled up during war years should take up a good deal of lag which naturally would be

expected from decline in the construction of submarines. Although Electric Boat's net earnings expanded sharply during war years, in no year for the past decade have they failed to produce an amount in excess of current dividend requirements upon the $2 preferred. As demand for pleasure boats, for which the company is noted as one of the chief producers, is now of record proportions, and the Government still remains as an important customer of naval craft and servicing, it is thought that 1946 earnings will seem very satisfactory when they become known, although perhaps down considerably from the year before. At one time last year the common stock, into which the preferred is convertible share for share, sold as high as 35¾, although its more recent level is arount 15¾. While this dip could have reflected in part a temporary decline of volume and profits last year compared with war years, it is quite possible that a reversal in any such trend may be right around the corner, when the company's newly planned activities begin to show results. With a yield of just above 5%, the preferred holds considerable appeal around current prices, while for the long term pull the conversion privilege could conceivably prove of additional value.

Factors Dominating Motor Accessories

(*Continued from page* 611)

this company has developed the widest diversification of any company in an industry which is noted for this wise policy.

Motor Products' Deepfreeze division should become an increasingly important contributor to profits. Motor Wheel is another unit that has followed diversification particularly with its Duo-Therm oil heating equipment for which it purchased a new plant early in 1946. Raybestos-Manhattan before the war had established a long list of items for a wide range of industries exclusive

of the automotive trade aggregating over half of total business. Other products include belts, hose, packings and asbestos textiles. Thermoid Company, transacting a business somewhat similar to Raybestos, since the war acquired companies in allied lines which will supplement its other lines of industrial and oil field products and thereby broaden the earnings base. Timken-Detroit Axle is a leading producer of oil burners.

While the possibility of competitive shifts in companies supplying automotive products is an element of uncertainty in the longer-term outlook, no such developments are looked for in 1947. Thus far, previous business relationships have been re-established between leading automobile producers and parts suppliers. At the moment, the availability of materials such as copper, cotton and some types of steel will govern production.

Market Level of Shares

The high level of replacement

parts business, which totaled $1.6 billion in 1946, should continue for a good part of this year, or at least until new car production increases to a point where the older cars on the road can be scrapped. The original equipment business can be counted upon to increase this summer when expansion in sheet steel facilities are scheduled for completion. Thus, prospects for the next two years appear bright.

The market level of motor accessory shares and the industrial averages as a whole moved up about equal percentages from the lows of 1942 to the highs of 1946. Subsequently, the motor group led the market lower and then made an important recovery.

The accessories, somewhat more stable than the motors, have not yet fully participated in the market recovery; their technical position appears quite strong.

The record of earnings, financial position, competitive status and degree of diversification of each company in the industry requires careful study before deciding upon the relative attractiveness of the common share but you will note that quite a few in the accompanying table have merited our "X" designation for their price appreciation prospects.

What's Happening in World Stock Markets

(*Continued from page* 604)

foreign funds (including American) are said to be gradually withdrawing. Earnings prospects of many Mexican companies have deteriorated because of rapidly rising production costs and inability to compete with imported American goods.

The movement of industrial stock prices in *Switzerland and Sweden* shows a number of similarities. The upward trend from the 1940 lows of the shares quoted at the *Stockholm Stock Exchange* was halted early in 1943 by various measures aiming to prevent inflation, such as the limitation of dividends and heavy taxation of capital profits. The slow upward rise was resumed in 1944 and lasted, with some interruptions, until June 1946; then a decline began, apparently in sympathy with New York, although the upward revaluation of the krona may also have been a factor. Earnings prospects of Swedish industries are considered to be excellent, and at the turn of the year, the index was less than 10 percent below the 1946 highs.

In *Switzerland*, the recovery of industrial shares from the 1940 lows was ended when the Allied troops landed in North Africa in the Fall of 1942. This was because the war in the Mediterranean lessened the chances of Swiss industries to get raw materials from either side. A dull market resulted, continuing up to about V-E Day, when the profit potentials of Swiss industries began to brighten with larger imports of raw materials. Influx of funds from the neighboring countries also helped to push the stock market upward. In September 1946, a reaction set in, but owing to the excellent income prospects of Swiss industries the decline was but a slight one.

Quite individual was the movement of industrial stocks in *Lisbon, Portugal.* The prices nearly trebled between the fall of France and V-E Day, a period during which Lisbon was the port of entry to Nazi-controlled Europe and a great gathering place for refugees. Profits were high, with Portugal selling its products to the highest bidder. Since V-E Day, the Lisbon Stock Market has been dull and sagging.

Most violent fluctuations have taken place in the stock markets in the liberated countries of the Continent. Fear of inflation and the lack of anything else to buy as a hedge, sent the quotations at the *Paris Bourse* to almost 600 (1939—100) by the end of 1942. From then on up to the middle of 1946, the Bourse was hesitating, the optimistic and the pessimistic attitude quickly succeeding each other as the political and military outlook changed. Since April 1946, prices have been rising at an accelerated rate. Once the French investors became convinced that the nationalization schemes would be extended to only a few key industries and that the Communists had been checkmated (by the rejection of the first draft of the Constitution), the French equities became the most promising vehicle for the flight to enduring real values.

In *Belgium*, too, the stock shares came to be regarded during German occupation as the best protection against inflation. This explains why Belgian shares sold at levels from three to four times as high as before the war, although a large percentage of plants had ceased to operate. After being closed for nearly a year, the Brussels and Antwerp Stock Exchanges reopened in August 1945. Since then, the prices have alternately risen and fallen, depending upon political and economic events.

The movement of stocks in the *Netherlands* during the Nazi occupation was also characterized by the flight to enduring values, with earnings prospects of no importance. Since the Netherlands was to be economically absorbed into Germany, the Nazis were particularly harsh there, and in 1943, to force people to invest in German war loans, they established price ceilings for all shares. In September 1944, when the Allied armies approached, the stock exchanges were closed and were not reopened until May 1946. Since then, the trend has been chiefly downward, the drastic deflationary measures of the Dutch Government, the capital gains tax and the capital levy being the principal factors in the gloomy prospects.

In *Italy*, the Milan Stock Exchange enjoyed almost a continuous bull market up to the Fall of 1944, when Italy collapsed. By that time, industrial stock prices were about 800 percent above the pre-war level. Then, as in France, a period of uncertainty set in. While prices of commodities, real estate, and services were skyrocketing, shares were losing ground, principally because of the fear of nationalization and heavy capital taxes. Since last spring, the situation has im-

proved remarkably, largely as a result of the checkmating of the Communist expansion and the arrival of raw materials from the United States. Stock prices, now about ten times as high as before the war, have, however, advanced about one-third as much as the free market prices of commodities —at present about 25 to 30 times as high as before the war.

In *Hungary,* the Budapest Stock Exchange was recently reopened. Prices are reported to be rising fast, because the people are investing in equities the proceeds of foreign exchange delivered to the Government. Fear of inflation still haunts them. In *Czechoslovakia,* the Prague Stock Exchange is closed for good; since all large corporations have been nationalized, there are no shares to be traded in. A similar situation exists in *Yugoslavia and Poland,* where the Belgrade and Warsaw Stock Exchanges have been permanently closed. The Helsinki stock exchange in *Finland* has never ceased to trade. It has been noted for some fantastic fluctuations since the early part of 1945.

A Look at the Movies for 1947

(*Continued from page* 621)

number of people operating under the new system. It largely creates a problem for the older booking agents. Also, it may cause some adjustments in the classes of pictures produced, and changes in the percentage ownership of exhibition facilities.

Other Considerations

Production costs are about double today compared with prewar pictures of similar type with an equal number of stars. Gross revenues of the industry probably attained a level last year of $1.6 billion and attendance averaged 80,000,000 a week. This works out at an average admission charge of 39¢, exclusive of Federal and State Taxes. Plans for construction of theaters in foreign countries to exploit 16 mm films are materializing. Houses to show this new type film, should be built here as construction materials become available. Although still in the experimental stage, this field offers long-term potentialities.

A good indication of current earnings of the major producing and exhibiting companies was given at the February 18, 1947 annual meeting of Warner Brothers stockholders when it was stated that profits for their second quarter (ended March 1) will not be as large as in the first quarter. So far in the second quarter gross receipts and profits after taxes have been larger than during the corresponding period last year.

Optimistic Outlook

Those estimates you see of around $95 to $100 million aggregate weekly admission tickets are probably sentimental ones engendered largely by the action of the Stock Market or perhaps affected by the opinions of Hollywood publicity departments. Moreover, it would serve the interests of the latter to have a widespread belief that motion picture salaries had advanced 300%; actually, the approximate average over-all cost increase is 100%. Paradoxically, all the bearish publicity, given out gratis in the past few months, and, incidentally, engendered by the declines in market prices of motion picture shares, has a salutary effect in Hollywood where real efforts are being made to cut costs and expenses. Such talk, thus represents an ill wind that is blowing some good to the industry. Furthermore, the relatively large cash balances of many amusement companies will be the means to take advantage of business or investment opportunities as they arise.

In closing, it is well to remind investors that the Motion Picture group is a speculative one. Shares are volatile in their movements and had enjoyed one of the greatest rises of any stock group in the market advance from April 1942 to May 1946. They also

registered a substantial decline from May to the October lows in 1946, but percentagewise, did not react as severely as numerous groups which had advanced less rapidly. Because of their improved position some issues are still attractive for further appreciation as indicated by our "X" symbol in the accompanying table.

For Profit and Income

(*Continued from page* 625)

The American public went into debt—installment purchases, personal loans and charge accounts—at a record rate in 1946; and that record will be topped this year. In the writer's view, CIT Financial and Commercial Credit (the two leading installment fiiance companies) have a good outlook for a long time to come. It takes time to build up receivables and translate them into earnings, and there is a similar time lag before profits shrink importantly after loan volume turns down. Both of these companies will have good earnings gains this year, better ones in 1948, and profits will be holding at a high level from some time after general economic activity has passed its peak. Their stocks look like sound, reasonably priced issues for semi-investment purposes.

Farm Equipments

No doubt the experts are right in holding that farm income probably made its peak last year. The distant farm-price futures are uniformly much under spot prices and nearby futures, and such a market consensus has never been wrong. But if there is a major farm slump coming it will not be felt before 1948 at the earliest. Any shrinkage in farm income in 1947 will be moderate, and leave it at a level still very high, judged by all prewar standards. Even the moderate decline has been postponed by the recent renewed strength in most staples including grains and cotton, hides and hogs. This is bound to be a big year in farm equipment business, with pretty sharp gains in earnings of leading companies like International Harvester and Deere. How well the stocks will respond is less sure. Both of these issues are sub-average performers usually, in percentage moves.

Happening In Washington

(*Continued from page* 600)

(as it now seems certain they will) disregard the ceilings placed by the joint committee over military appropriations. Chairman of the armed services committees of both Houses already have declared war on the limitations and have their committees lined up almost solidly with them. And it takes more than a pious declaration of Congress (in the Reorganization Act) to uproot log-rolling in the processes of making appropriations.

The Facts of Life

(*Continued from page* 594)

Politics Clash With Economics

However, being political rather than economic, abolition of these tax-devouring measures will not be easy. Yet they should be recognized for what they are. In their economic effect, they have great similarity with pump-priming; both involve the outlay of tax money, thus burden the overall economy though ostensibly they are to benefit it. Pump-priming fortunately has lost a good deal of appeal, at least for the moment. Few will dare advocate adding to the debt in this manner. The economic fallacy underlying such action has been amply proved during the Thirties.

Meanwhile the outcome of the tax battle will be interesting to see, for involved is more than mere taxes. As stated before, it is a battle of economic doctrines. The basic economic purpose of lower personal income taxes is to strengthen the financial motive for putting forth greater personal effort and for the undertaking of business ventures. Under the present steeply progressive tax structure, the incentive element has been enormously weakened. As far as the lower income groups are concerned, a really

worthwhile reduction of living costs, through lower prices, would mean far more than anything they can reasonably expect in the way of a reduced tax bill, for the continued necessity for taxing low incomes is inherent in our debt.

To understand this, consider a few factual data. Our national debt has grown from 45% of the annual national income in 1919 to 150% of the current national income. Of the latter, taxes consume fully one-fourth. The pinch of the debt will really come when the dollar volume of the national income falls. In the face of this, freeing low incomes from taxation is hardly sound or practical. The burden would rest too one-sidedly on business and the higher brackets, to the marked detriment of our total economy. Nevertheless, any fair-sized tax reduction that will follow the current congressional debate, will constitute an important economic "shot in the arm," a boost to public spending power with distinctly favorable business implications.

Who Is Benefitted by Tariffs?

On another front today, we witness another economic battle, the battle of the tariff. It holds important economic lessons; from the standpoint of our long-range national economy, it is no less important than the others. We have become used to high tariff walls, erected chiefly for the protection of individual industries. But what is perhaps less realized, in the popular mind—is that while such protection benefited certain producers, it was wholly at the expense of the consumer. By paying more for tariff-burdened foreign goods, the consumer can spend less on other things. The same results if he is forced to pay unreasonably high prices for price-protected domestic articles. The outcome: his purchasing power shrinks.

Indirectly, of course, domestic industry also loses; not only by impairment of domestic purchasing power but by shrinking foreign purchases of domestic goods, if foreign countries find their markets in the USA reduced or cut off by tariffs. A protective tariff thus may benefit special interests but it does so at the expense of everyone else. This becomes particularly evident if an attempt is made to extend tariff protection. Then even people in protected industries, both as consumers and producers, will suffer from other people's protection.

Special circumstances may justify tariffs, especially if they are chiefly for revenue or to keep alive vital industries. But it is a fallacy to assume that a tariff, on net balance, provides employment, raises wages or protects the living standard. It does none of these things. It merely subsidizes certain segments of industry (or agriculture), with the consumer paying the bill. To the extent of this subsidy, his purchasing power is reduced. Directly or indirectly, it is he who gets hurt.

Thus it is eminently desirable that our Government should cooperate with others in an effort to break down tariff barriers radically, even do so—if necessary—without reciprocity and purely in its own interest. True, such action might ultimately involve important shifts within our economy but the end results cannot help being constructive. Europe for a considerable time ahead can send us very few manufactures, certainly not without having made great purchases of foreign raw materials. For these, she can pay only by exports. Low tariffs in the postwar era can hardly complicate the domestic readjustment problem for any American manufacturing industry.

Economic Understanding Needed

In surveying the ingredients for postwar prosperity and in assessing the economic facts surrounding them, one thing becomes clear. They must be worked out without benefit of direct Government intervention, through the practical wisdom of management and labor, agriculture and finance. Above all, this requires mutual understanding, abandonment of the flourishing set of misapprehensions and misunderstandings of business, and of the many economic fallacies that have come to color our economic thinking for over a decade.

If we try to run our economy for the benefit of a single group or class, we shall injure all groups including those for whose benefit we have been trying to run it. The national product on which rests our welfare, is neither created nor bought by manufacturing labor alone. It is bought by everyone, by everybody who con-

(*Please turn to page* 643)

The Magazine of Wall Street's

COMMON STOCK INDEX

1947 Grouping of the 304 Component Issues

H—Component of the 100 HIGH PRICED STOCKS Group (1946 Closing above 35¾)
L—Component of the 100 LOW PRICED STOCKS Group (1946 Closing below 16½)

4—AGRICULTURAL IMPLEMENTS
- H—Deere
- H—Int. Harvester
- L—Minn.-Moline
- Oliver

11—AIRCRAFT
- L—Aviation Corp.
- Boeing
- L—Cons. Vultee
- L—Curtiss-Wright
- H—Douglas
- Gruman
- Lockheed
- Martin
- L—Nor. Am. Aviation
- L—Republic Aviation
- United Aircraft

6—AIR LINES
- L—Am. Air Lines
- L—Braniff
- E. Air Lines
- L—PanAmerican
- Trans. & West.
- United Air Lines

6—AMUSEMENT
- Loew's
- Paramount
- L—R.K.O.
- L—Republic Pictures
- H—20th Century
- Warner Bros.

14—AUTOMOBILE ACCESSORIES
- H—Bendix
- H—Borg
- Briggs
- L—Budd
- L—Cont. Motors
- H—Elec. Auto-Lite
- L—Hayes Mfg.
- Houd.-Hershey
- L—Hupp
- Martin-Parry
- L—Murray
- L—Stand. Stl. Springs
- Stewart-Warner
- Timken-Detroit

11—AUTOMOBILES
- H—Chrysler
- H—General
- L—Graham-Paige
- Hudson
- H—Mack
- L—Nash
- L—Packard
- Reo
- Studebaker
- White
- L—Willys

3—BAKING
- Continental
- L—General
- Purity

3—BUSINESS MACHINES
- L—Burroughs
- H—Nat. Cash
- H—Rem. Rand

2—BUS LINES
- H—Greyhound
- L—Omnibus

4—CHEMICALS
- H—Allied
- Com. Solvents
- H—duPont
- H—Union-Carbide

2—COAL MINING
- L—Lehigh C. & N.
- L—Lehigh Val. Coal

4—COMMUNICATION
- L—Am. Cable & Radio
- H—Am. Tel. & Tel.
- Int. Tel. & Tel.
- West. Union "A"

13—CONSTRUCTION
- L—Am. Radiator
- Bucyrus-Erie
- Certain-teed
- H—Crane
- H—Flintkote
- H—Johns-Manville
- H—Lone Star Cem.
- Nat. Gypsum
- L—Nat. Supply
- Otis Elevator
- L—Pittsburgh Screw
- H—U. S. Pipe
- L—Walworth

7—CONTAINERS
- H—Am. Can
- H—Container Corp.
- H—Cont. Can
- H—Crown Cork
- L—Gair
- L—Nat. Can
- H—Owens-Ill.

8—COPPER & BRASS
- H—Anaconda
- L—Bridge. Brass
- L—Cal. & Hecla
- L—Cons. Copper
- L—Inspiration
- H—Kennecott
- L—Miami
- H—Phelps-Dodge

2—DAIRY PRODUCTS
- H—Borden
- H—Nat. Dairy

5—DEPARTMENT STORES
- H—Allied Stores
- Ass. Dry Goods
- H—Gimbel Bros.
- H—Macy
- Marshall Field

5—DRUGS & TOILET ARTICLES
- H—Colgate
- Gillette Safety Razor
- Sharp & Dohme
- L—United Rexall
- L—Zonite

2—FINANCE COMPANIES
- H—C. I. T.
- H—Com. Credit

7—FOOD BRANDS
- Best Foods
- H—Corn Products
- H—Gen. Foods
- L—Libby-McNeill
- Nat. Biscuit
- H—Stand. Brands
- Stokely

2—FOOD STORES
- H—Kroger
- Safeway

3—FURNITURE
- Congoleum
- L—Servel
- H—Simmons

3—GOLD MINING
- L—Alaska Juneau
- Dome Mines
- H—Homestake

6—INVESTMENT TRUSTS
- Adams Express
- L—Am. Internat.
- Atlas Corp.
- H—Lehman
- L—Transamerica
- L—Tri-Cont.

3—LIQUOR
- Distil.-Seagrams
- Nat. Distillers
- H—Schenley

8—MACHINERY
- H—Allis-Chalmers
- Am. Mach. & Fndry.
- H—Caterpillar
- Foster-Wheeler
- H—Gen. Electric
- H—Timken R. B.
- Westinghouse Electric
- H—Worthington Pump

3—MAIL ORDER
- H—Montgomery Ward
- H—Sears Roebuck
- L—Spiegel

3—MEAT PACKING
- L—Armour
- Swift & Co.
- L—Wilson

13—METALS, NON-FERROUS
- H—Am. Smelting
- L—Am. Zinc
- L—Callahan Zinc
- Cerro de Pasco
- Int. Nickel
- Nat. Lead
- L—Pacific Tin
- L—Park Utah
- L—Patino Mines
- H—St. Jo. Lead
- L—Silver King
- L—Sunshine Mining
- Vanadium

3—PAPER
- Crown Zellerbach
- H—Int. Paper
- Union Bag

23—PETROLEUM
- H—Atlantic Ref.
- H—Barber Asphalt
- Barnsdall
- H—Cont. Oil
- Houston Oil
- H—Mid. Cont. Pet.
- Ohio Oil
- L—Panhanhdle P. & R.
- H—Phillips Pet.
- Pure Oil
- L—Richfield
- Shell Union
- L—Sinclair
- L—Socony
- H—S. O., Calif.
- H—S. O., Ind.
- H—S. O., N. J.
- L—Sunray
- H—Texas Co.
- L—Texas Gulf Prod.
- Texas & Pac. C. & O.
- Tide Water Ass.
- Union Oil

20—PUBLIC UTILITIES
- L—Am. & For. Pr.
- L—Am. Pr. & Lt.
- Am. Water Works
- L—Columbia Gas
- L—Commonwealth & So.
- Commonwealth Edison
- Con. Edison
- Detroit Edison
- Elec. Pr. & Lt.
- Engineers Pub. Serv.
- Florida Pr.
- L—Gen. Pub. Serv.
- L—Int. Hyd. Elec. "A"
- L—Laclede Gas
- North American
- H—Pac. Gas
- Pub. Serv., N. J.
- So. Calif. Edison
- L—Stone & Webster
- United Gas Imp.

5—RADIO
- L—Farnsworth
- Philco
- L—Radio Corp.
- L—Sparks-Withington
- Zenith

8—RAILROAD EQUIPMENT
- H—Am. Car & Fndry.
- Am. Locomotive
- Am. Stl. Fndries
- Baldwin Loco
- L—Pressed Steel Car
- H—Pullman
- L—Symington-Gould
- Westinghouse A. B.

23—RAILROADS
- H—Atchison
- H—Atlantic Coast
- L—B. & O.
- L—Canadian Pac.
- H—C. & O.
- Chic. & N. W.
- L—Chic., Mil. St. P. & Pac.
- H—D. & H.
- L—D., L. & W.
- L—Erie
- H—Gt. Nor., Pfd.
- L—Gulf Mobile
- Ill. Cent.
- Kans. City So.
- L—Lehigh Valley
- L—M. K. T.
- N. Y. Central
- Nor. Pacific
- Pa. R. R.
- Seaboard Air Line
- H—So. Pac.
- H—So. Ry.
- H—U. P.

3—REALTY
- L—Equitable
- L—Gen. Realty
- L—Sheraton

2—SHIPBUILDING
- L—Elec. Boat
- L—N. Y. Shipbldg.

3—SOFT DRINKS
- L—Canada Dry
- H—Coca Cola
- Pepsi-Cola

13—STEEL & IRON
- H—Aleg.-Ludlum
- H—Am. Roll. Mill
- H—Beth. Steel
- Blaw-Knox
- L—Colo. Fuel
- Crucible
- L—Gt. Nor. Ore
- L—Interlake Iron
- Jones & Laugh.
- H—Nat. Stl.
- Republic Stl.
- H—U. S. Steel
- H—Youngstown S. & T.

3—SUGAR
- Am. Crystal
- Cuban-American
- West Indies

2—SULPHUR
- H—Freeport
- H—Texas Gulf

3—TEXTILES
- H—Am. Viscose
- Am. Woolen
- Celanese

3—TIRES & RUBBER
- H—Goodrich
- H—Goodyear
- H—U. S. Rubber

6—TOBACCO
- H—Am. Tobacco "B"
- H—Liggett & Myers "B"
- Lorillard
- H—Philip Morris
- H—Reynolds "B"
- L—Webster

2—VARIETY STORES
- Kresge (S. S.)
- H—Woolworth

19—UNCLASSIFIED
- Allied Mills
- L—A. T. F., Inc.
- H—Con. Insurance
- L—Curtis Publishing
- H—Eastman Kodak
- L—Gar Wood
- H—Glidden
- H—Libbey-Owens
- L—Marine Midland
- Newport Industries
- H—Procter & Gamble
- L—Savage Arms
- Shattuck (F. G.)
- L—So. Am. G. & P.
- Sperry
- Tex. & Pac. Lnd. Tr.
- L—United Cig.-Wheelan
- H—United Fruit
- U. S. Lines

Turn to the Forecast . . .

To Know What Market Action to Take

—For the Short Term—For the Longer Term

31⅞ Points Profit To Date This Year

As a Forecast Subscriber Since January 1, You Would Have Received The Following Advices:

—For Short Term

Stock	Advised At	Open 2/17	Points Profit
Gen'l Pub. Util.....	15⅛	16¼	1⅛
Baldwin Loco.......	20½	24⅛	3⅝
Chrysler	96¼	103⅞	7⅝
Gen'l Motors	58⅜	64⅜	6
Amer. Radiator....	16½	16⅞	⅜

—For Longer Term

Stock	Advised At	Open 2/17	Points Profit
U. S. Tobacco......	21¾	22¾	1
Pub. Service N. J...	23¼	24⅜	1⅛
Anaconda Copper..	38¼	41	2¾
U. S. Steel.........	71⅛	77⅜	6¼
Sylvania Elect	27⅛	28	⅞
Gen'l Elec.	38½	39⅝	1⅛
			31⅞

$797 Profit in 25 Share Units . . . With The Assurance of Knowing You Would Be Advised When To Buy and Sell!

•

The Forecast's Outstanding Record

In this—our 29th year—we are gratified that the new lower-priced Forecast . . . announced four years ago . . . is guiding more and more investors like yourself throughout the country. We are proud of:

—its 2000% increase in clientele
—Its high percentage of subscribers who renew
—Its excellent "better than the market" record

Profit opportunities are again in the making for near term markets! Now . . . while recent gains are being consolidated . . . as the market establishes a tested base for a major advance . . . is the time to carefully review your position in order to make advantageous commitments in selected low-priced stocks . . . in special situations . . . in new market leaders . . . as coming trends crystallize.

Expert Market Timing . . . Sound Security Selection has consistently proved a successful investment policy. For this guidance, you can turn to The Forecast with confidence now and over the vital months ahead.

Our Barometers Anticipate Important Market Moves

To know when to buy and when to sell, you will profit from our weekly market forecast plus interpretations of our technical barometers which forecast the intermediate advance on January 18th and last year's severe decline on July 15th . . . well ahead of these moves.

To know what to buy, you will receive our selections of favored stocks in approved industries . . . issues with outstanding income and profit potentials.

In addition, all commitments will be kept under our continuous supervision in specialized programs fitted to your capital, wishes and objectives.

Forecast Service Is Geared To Your Investment Needs

There is no service in its field more devoted to your interests . . . better adapted to today's rapidly changing investment conditions . . . than The Forecast. It is a source of counsel which you will value highly . . . for your protection and profit.

You are invited to take advantage of our Special Enrollment Offer which provides a full month's service without charge. Mail the coupon below today . . . we look forward to serving you.

Special Offer!

6 MONTHS' SERVICE **$50**

12 MONTHS' SERVICE **$75**

Complete service will start at once but date from April 1st. Subscriptions to The Forecast are deductible for tax purposes.

FREE SERVICE TO APRIL 1

3-1

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.
I enclose ☐ $50 for 6 months' subscription; ☐ $75 for a year's subscription.
(*Service to start at once but date from April* 1, 1947)

SPECIAL MAIL SERVICE ON BULLETINS

Air Mail: ☐ $1.00 six months; ☐ $2.00 one year in U. S. and Canada.
Special Delivery: ☐ $3.50 six months; ☐ $7.00 one year.

☐ Telegraph me collect in anticipation of important market turning points . . when to buy and when to sell.

Name..

Address..

City.. State..........................

Your subscription shall not be assigned at any time without your consent.

List up to 12 of your securities for our initial analytical and advisory report.

BOOK REVIEWS

AMERICAN CAPITALISM VS. RUSSIAN COMMUNISM

By Clarence A. Peters
The H. W. Wilson Co. 305 pages $3.00

This book is a praiseworthy attempt by the author, or rather editor, to assemble under one cover the most dependable but conflicting views of various writers on this highly controversial subject. Thought of the compiler was that bias to an unusual degree on either side of the fence has built up by casual reading of only one side or the other, and that properly informed opinion could only be formed by a digest of conflicting points of view. Hence articles which have appeared in numerous magazines and written by competent authors have been gathered verbatim to present both sides of argument. Perusal of these will give the reader perhaps for the first time an opportunity to weigh the evidence calmly and decisively. Interpretations and descriptions of the Russian way of life are highlighted by articles from the pens of such men as Leon Trotsky, William Henry Chamberlain, Norman Thomas and Waldemar Gurian, to mention only a few. Among champions of America are Carl Snyder, Gladstone Murray, H. W. Prentis, Jr., and Edwin C. Nourse.

THE HUCKSTERS

By Frederic Wakeman
Rinehart & Company 307 pp. $2.50

An absorbing story is this of a bright and high principled man drawn into the vortex of high pressure selling by radio, an occupation which brought him fame from a dozen or more nationally known clients. The story importantly centers upon a producer of Beautee Soap, whose chief executive, backed by ample funds and ruthless policies, has determined to batter down all barriers to competition in exploiting his specialty. Such a program necessitated overtime work by his advertising planner, the hero of the book, with all his activities thrust onto a shuttle between Hollywood and Wall Street. Cynicaal acceptance of the soap maker's philosophy and manner of producing desired results at first rather encrusted the radio executive's soul. But through reminder of the finer sensibilities of life as disclosed by a woman he came to know, he came to hate the Beautee Shop baron and all that he represented. How his inborn natural instincts thus became trenscendently expressive makes the book well worth reading.

THE DIVINE RIGHT OF CAPITAL

By C. E. Ayres
Houghton & Mifflin & Co. 214 pages $3.00

As Professor of Economics at the University of Texas and author of numerous books on controversial economic subjects, Dr. Ayres has a firm basis for the conclusions he presents in his latest volume herewith. In studying the causes which are accountable for depressions in the economy, Dr. Ayres sides with those who lay the blame to underconsumption rather than to underinvestment. To those who accept his premise, the author suggests a remedy for recurring periods of depression which, while short of complete socialism, advocates greatly extended Federal controls over industry, heavier taxes on incomes in the higher brackets and more rigid Government determination of wages and prices. By these measures he would bring production and consumption more nearly into balance, he believes.

The Facts of Life

(*Continued from page* 639)

tributes toward making our national product.

In the last analysis, it is only through clear understanding of cause and *ultimate effect* (which often differs greatly from immediate effect), that sound economic progress can be made. A policy based on such understanding will go far towards ironing out the peaks and valleys of our business cycle.

As I See It

(*Continued from page* 589)

tegration has been very rapid. The radical element, composed of nationals of other countries of Europe including the flotsam and jetsam of two wars, is now thoroughly entrenched. French leaders seem helpless before the onslaught of this foreign population. In Britain, the great problems resulting from the weakening of the financial and political structure of the Empire and its ever increasing vulnerability to attack has created issues that forced the adoption of measures which the leaders of British opinion must now know to be absolutely unsound, and detrimental to the interests of the nation. But, fortunately, the morale of the British people is still high and their response to their present crisis is worthy of a great people. Indeed, they may check their trend toward nationalization before it is too late and regain a lot of lost ground.

For our part, we cannot afford to permit Britain to succumb for her adherence to free enterprise bulwarks our own vulnerable position at a time when we are being so heavily attacked on all sides by subversive activities. In fact, it is to our own best interests to assist the various nations wherever we can for the preservation of free enterprise. Having spent so many billions in winning the war, we cannot possibly tighten our purse strings now and risk losing what we have fought so hard to win. The great struggle for economic and political democracy must be financed liberally even though budgets remain unbalanced. The war is not over.

Important Market Test At Hand

(*Continued from page* 591)

legisation will be middle-road, rather than too tough; and that there will be something like a 20% tax cut, but not across the board.

The most encouraging business news, maybe of barometric significance, continues to center in durable goods and capital investment. The Dodge figures on January building awards, just released, showed a large rise to a 22-year peak, Outlays by business for new plant and equipment are still running at a boom level. Typical of this, it was announced last week that the steel industry this year will bet a record $448 million worth of new facilities on its long-run future.

The stock market will continue to make the most reliable forecasts of the business weather. The present reading seems to be that the skies look better, but that there are still some clouds. We advised some partial buying in selected issues two weeks ago, and stand on that. It will be followed by further specific recommendations — possibly on the buying side, possibly not — as the main trend clarifies more conclusively. —Monday, February 24.

Tax Status on Preferred Dividend Arrears

With further reference to our Tax Article in the November 23, 1946 issue (page 205) payment of most preferred dividend arrears must be computed as ordinary income for tax purposes but in isolated cases, it may be considered as capital gains. It varies in different situations, especially as regards the origin of funds from which arrears are paid. The taxpayer should consult corporate officers of companies in which he holds stock in this category to ascertain exact tax treatment.

Interesting Circulars

FOR OUR READERS

☆ ☆ ☆

On request on your letterhead, but without obligation, any of the circulars listed below will be sent direct from the issuing firm. Limit each letter to a request for one circular, giving your name and address.

ADDRESS: Booklet Department—Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

Primer for Investors—Guide book for new investors to explain the terminology of Wall Street. Also a section devoted to estates, trusts and wills. Prepared by large N.Y.S.E. member firm.

Know-As-You-Go Guide—Descriptive leaflet of the Handy Record Book for investors, providing a simplified record of capital gains and losses. Method outlined to keep investment records in "automatic" order.

Forging Ahead in Business—64-page booklet describing program of executive training will be sent free when requested on your Company's letterhead.

25 Answers to Questions on Sound Conditioning. Interesting fact - pact booklet.

Selected Items of Merit—96 page book containing articles on various subjects.

Tobacco Shares: Timely Survey of leading cigarette companies indicating preference. Issued by N.Y.S.E. member firm.

Answers to Inquiries

(*Continued from page* 626)

ated in Delaware in 1935 to acquire through reorganization the business and assets of Grocery Store Products, Inc. which was incorporated January 9, 1929, in the same state.

The parent company does not directly own or lease any real property, but subsidiaries own the following properties:

At West Chester, Penna. 128 buildings in use as a mushroom growing and canning plant with an annual capacity of approximately 2,000,000 pounds.

At Union City, N. J. 6 buildings in use for manufacturing colorings and fiavoring extracts with an annual capacity of 60,000 gallons.

At Libertyville, Ill., 10 buildings in use for manufacturing macaroni and allied products with an annual capacity of 14,000,000 pounds.

At New Orleans, La. the Cream of Rice plant.

Its products are distributed to over 3,000 wholesalers in the United States. Some of its better known products are sold under the names of "Kitchen Bouquet," "Foulds Spaghetti," "Foulds Macaroni," "Golden Eggs Macaroni," "Cream of Rice" and "B & B Mushrooms."

As of September 30, 1946, the company had no funded debt, having called for payment August 16, 1946, all of its first mortgage 6% bonds due 1953. It had no preferred outstanding except 600 shares of subsidiary preferred stock, and on September 30, 1946, the total number of common stares outstanding was 289,347 shares. For the nine months ending September 30, 1946, earnings amounted to $1.94 on the aforesaid number of shares of common as compared with $1.01 on 216,922 shares outstanding on September 30, 1945.

The consolidated balance sheet as of September 30th showed a marked improvement over the preceding year. Total current assets amounted to $2,447,778 as compared with total current liabilities of only $886,821. The current ratio was about 3 to 1 and cash alone amounted to $1,097,894 which was more than total current liabilities. Earned and capital surplus showed a marked increase over the preceding year, earned surplus amounting to $1,233,507 and capital surplus $1,672,400.

The company's common stock is listed on the New York Curb Exchange and has had a price range, this past year of: High 28¼; Low 13⅛; Recent 15. The last dividend paid was 30 cents on January 31, 1947, and it has paid a total of 85 cents in 1946. At current market price of 15, based on prospective $1.20 yearly dividend rate, the indicated income yield is 8%. However, we emphasize that no definite dividend rate has been established.

With the elimination of its funded debt and the good improvement in its financial position, plus its good earning statement, the stock appears to have some speculative attraction at current market price at 15; although the food industry will experience increased competition in 1947.

A Widow's Investment Experience

As I have about 80 issues, including bonds and stocks, on my securities list, you can well imagine what your Magazine means to me. The January 4th issue is on my desk at the moment, open at "Comparison of Freeport vs. Texas Gulf." I bought Freeport in 1938 thru an article you published—paid 25¾. Still consider it one of my best friends. Acme Steel is another—that 3 for 1 was "a blessing in disguise". Midland 8% preferred purchased at 115 gives me a thrill, but I think Inland is my first love. It has quality! That's my steel story!

Utilities of course are my back log, especially the bonds. The "calls" however have been atrocious! Oh yes, I bought most of them below call price but even at that, I couldn't buy anything as good for the call price money. I can see why you don't say too much about them—"they are here today and gone tomorrow."

Rails? Well, I bought Union Pacific common at 72, Chesapeake & Ohio common at 37, Atchison common at 43 and 52, and the preferred at 66⅛.

My Timken Roller Bearing and my General Motors have been disappointing but I have held on, hoping for a better market.

Thru my own 22 years of buying and selling I have found it best to buy quality and hold on. I traveled down to 30 with my Southern Railway 6½% bonds and came all the way back with them to about or near 130. As I paid around 100 for most of them I will probably hang on till 1956.

I handle my own lists, do my own buying and free lance my brokers. Live entirely on what I earn and have always been able to live comfortably on my income, thanks in large measure to the help I have received from your magazine.

The tax on unearned income is particularly hard on widows. It seems to be as inexorable as fate, especially here in Massachusetts.

With a great deal of appreciation.

A.H., Boston, Mass.

It is gratifying to hear that recommendations made in our magazine have over a period of years, proven profitable to you. We note from your interesting letter that you prefer "quality" securities. This is a sound investment procedure which insures greater peace of mind over the long term and note it has enabled you to live comfortably on your income. We thank you for your subscription renewal to our publication.